

FAR EASTERN ECONOMIC REVIEW

Vol. V.

Hongkong, September 15, 1948

No. 11

FROM THE CONTENTS:—

*Netherlands-Indonesian Relations.
Indonesian Reports.*

*Hongkong Clearing House and
Business Conditions.*

Japanese Industries.

Japan's Trade & Currency.

*Hongkong Selected Cargo Ex-
ports.*

Singapore & Malaya.

Developments in Singapore.

Chinese Financial Markets.

COMMERCE AND PRODUCTION OF SINGAPORE

By P. A. B. McKerron, C.M.G.
Colonial Secretary

COMMERCE

Singapore, as the principal port of Malaya, handles some 70% of its direct foreign trade. Singapore is a free port and through this long-established policy has maintained a large volume of entrepot trade additional to that in merchandise consigned to or from the Malay Peninsula.

For many years the foreign trade statistics of Malaya have been combined and published on a Pan-Malayan basis and any statistics extracted for particular ports of Malaya must be read with due care. For the purpose of this report, statistics have been specially prepared covering the foreign trade only of the colony of Singapore, that is to say, all movements of merchandise between Singapore and the Federation of Malaya have been excluded. In an interpretation of these figures it must, therefore, be carefully borne in mind that Singapore consumption can not be assessed from its retained imports which are spread over the whole Peninsula. and in the same way the difference between Singapore's foreign imports and exports can not be taken as a measure of Singapore's visible trade balance since the trade with the Federation is not included.

The value of Singapore's total recorded foreign trade during 1947 was \$1,859,193,027: imports amounting to \$1,045,896,434 and exports to \$813,296,593. The distribution of this trade to the principal countries together with a comparison with 1938 will be seen from Table 1 on Page 238.

Trading conditions in Singapore during 1947 were still considerably handicapped by the restrictions imposed by international controls, but nevertheless it has been observed from the trade figures that commendably rapid progress was achieved in recovering pre-war trade.

A large volume of trade with the N.E.I. representing some 18% of the

total trade, illustrates the extent to which Singapore's important entrepot trade has been maintained. The most noticeable feature of the trade with the N.E.I. was the steady improvement in the ratio between imports, which are almost entirely produce, and exports, which are mainly re-exports of manufactured articles. In pre-war days N.E.I. had a very high favourable trade balance with Malaya, the average ratio between Malayan imports from the N.E.I. and exports to the N.E.I. being 5:1. These figures were to a certain extent exaggerated since transit trade via Singapore on through bills of lading was not recorded and this transit trade was mainly in manufactured articles to the N.E.I. In the immediate post-war period with unsettled conditions in the N.E.I. the ratio of trade balance was again approx. 5 : 1, but as supplies of textiles and other consumer goods improved and adequate availabilities for domestic consumption within Malaya enabled controls on re-exports to be relaxed the ratio steadily decreased, and, despite the setback to trade with Sumatra caused by the naval blockade which accompanied police action by the Dutch in July, the ratio had fallen to slightly under 2 : 1 by December, 1947.

Trade with U.S.A. also represented 18% of Singapore's total trade, rubber being the outstanding item. Trade with U.K., chiefly imports of manufactured articles and exports of rubber, tin and other produce, amounted to 15% of Singapore's foreign trade.

Compared with pre-war years the value of Singapore's trade is extremely high, but this is accounted for to a very considerable degree by the greatly increased values of merchandise other than rubber.

The principal imports and exports by commodities in 1947 will be seen from Table 2.

Rubber.—During the period under review 259,080 tons were imported from abroad—197,615 tons from N.E.I.

and 11,698 tons from Siam. The total amount of rubber exported was 516,506 tons of which 78,585 tons were consigned to the U.K. and 240,011 tons to the U.S.A. These figures establish high records for imports and re-exports, the commodity being of major importance to Singapore's entrepot trade.

Tin.—The Ministry of Supply Tin Ore Buying Agency ceased to purchase tin on 31st December, 1946, and from the beginning of the year the Straits Trading Company resumed buying. Tin exports amounted to 13,453 tons of which 6,025 tons were consigned to U.S.A., 2,390 tons to British India and 2,330 tons to Canada.

Pepper.—This commodity remained a speculative market with good demand generally from consuming countries throughout the year. The principal purchasing countries for black pepper were U.S.A., Hongkong and the Netherlands, and white pepper was chiefly shipped to U.K., Hongkong, Sweden and Australia. Large stocks of pepper were held by dealers at the beginning of the year, but by the close of the year supplies of white pepper were difficult to obtain. Exports of black pepper for the year were 7,615 tons against imports of 4,545 tons, while the exports of white pepper were 7,456 tons against 3,040 tons imported.

Copra and Coconut Oil.—Destinational control on exports had a deterrent effect on the Singapore market during the year. In November changes were instituted with the specific object of fostering production and encouraging the entrepot trade. Coconut oil expressed from Malayan copra was allowed destination-free export upon proof that an equivalent quantity had been shipped to the Ministry of Food in the U.K., while important extra-allocation foreign copra was allowed to be re-exported freely to any destination either in the form of copra or coconut oil.

Textiles.—Large late deliveries from the U.K. coinciding with heavy arrivals from the U.S. led to a greatly improved stock position early in the year, chiefly in white, dyed and printed cottons. Consumer prices were considerably reduced in consequence and after the first few months it was found possible to allow substantial re-exports to surrounding countries in short supply, where they proved invaluable priming for the large variety of produce which the entrepot of Singapore attracts, grades and re-exports. In 1947 textiles (value \$45½ million) climbed to 3rd place on Singapore's export list.

Pineapples.—During the April/June 1947 season one cannery in Singapore was licensed for pineapple packing, while for the succeeding November 1947 January 1948 pack this number was increased to three. There is no shortage of canning productive capacity, but the rehabilitation of one of the Colony's major pre-war industries is largely frustrated by a shortage of fresh fruit supplies.

A committee was set up in Johore in the middle of the year to discuss the re-organization of the industry and under its aegis a considerable increase in pineapple planting has taken place in Johore.

The estimated output (including 2 factories in Johore) is 200,000 cases in 1948 and 400,000 cases in 1949. During the year 1947 the actual exports from Singapore amounted to 86,402 cases valued at \$2,427,876. Half of the exports went to Eire and the remainder to Palestine and the Persian Gulf ports.

Exporters are still desirous of re-entering the U.K. market, but have so far been hampered by the low prices offering there. With an increase in the fresh fruit supply it is hoped that the cost of production will diminish and thereby facilitate a re-commencement of sale to the U.K. Prior to the war this was the industry's main market, taking over 2 million cases in 1939.

General Market Review

In reviewing the activities and reigning conditions of the Singapore market it can be stated, that 1947 was a difficult year for most traders. There are still restrictions on imports from non-sterling sources for the purpose of conserving foreign exchange, and certain commodities are still controlled under the I.E.F.C. On the other hand the granting of general import-licences from U.K. and certain other countries, the removal of control over the exports of rubber and tapioca, and the freer movements of entrepot trade commodities gave a wider field for the apparently unlimited resource and ingenuity of traders.

In the middle of the year the rubber market—which is the index to trade generally—suffered a severe setback in prices due chiefly to the decision in the U.S.A. to maintain fixed

TABLE 1:

Foreign Trade of Singapore with all countries (gross value in millions Malayan \$):

1938: imports 396.6, exports 320.3, total 689.9

1947: imports 1,045.9, exports 813.3, total 1,859.2.

Country	Imports		Exports	
	1938	1938	1947	1947
	(in millions of)		Malayan dollars	
Netherlands East Indies	130.6	35.9	221.6	120.5
U. S. A.	11.3	75.6	115.4	221.2
U. K.	53.9	33.2	169.3	117.3
Other British Possessions	36.3	24.6	102.8	64.8
(includes all British countries other than shown separately)				
Continent of Europe	23.3	36.0	58.9	97.0
China	18.6	2.7	108.4	7.2
Australia	9.1	24.7	69.3	30.6
Hongkong	5.0	6.1	54.0	44.5
Siam	35.2	10.4	67.9	10.4
India	9.7	12.3	28.3	34.2
Canada	4.3	9.7	12.9	26.2
Other countries	32.2	49.1	37.0	39.4

TABLE 2:

Principal Imports: (in millions of Malayan dollars)

Commodity	1938	1947
Rice	17.8	311.3
Cotton textiles	13.9	144.1
Rubber	110.9	143.6
Cigarettes	9.8	39.7
Wheat flour	2.8	32.1
Motor spirit	38.0	16.9
Iron and steel manufactures ..	13.9	27.6
Liquid fuel	15.4	26.8
Sugar	4.9	22.2
Motor cars	6.3	22.0
Milk	5.7	18.8
Machinery	6.9	16.2
Copra	6.2	16.0
Sago flour	1.4	12.6
Pepper	1.4	11.8
Coal	4.2	10.3
Fish, dried and salted	6.8	9.1

Principal Exports (in millions of Malayan dollars).

Commodity	1938	1947
Rubber	115.6	415.4
Tin	89.1	44.7
Cotton Textiles	8.1	42.5
Pepper	1.5	26.6
Motor spirit	35.3	12.4
Coconut oil	2.6	15.2
Palm oil	4.1	15.1
Sago flour	2.3	14.1
Cigarettes	1.8	14.1
Areca nuts	5.6	9.2
Rattans	1.4	5.3
Tea, black	0.9	4.5
Gum Damar	1.1	2.7
Tapioca flour	0.1	2.5

percentages of synthetic rubber in all rubber products. The price declined from over 45 cents per lb. at the end of March to 24¼ cents at the end of June. During the second half of the year, however, the tendency was gradually upwards and at the close was 39 cents per lb.

The supply of commodities in the hardware and foodstuffs market was in most lines adequate to meet the increased demand due to inflation of salaries and wages, but merchants' difficulties were further increased by frequent releases of large quantities of commodities surplus to the requirements of the Services. In most instances these releases were marketed below world prices, causing much embarrassment to traders with outstanding orders in the same commodities without in many instances giving consumers the benefit of lower prices since the first purchaser was frequently not a bona fide trader.

In summarizing the year the outstanding feature is the remarkable resilience of Singapore's trade. The

commercial community have by their own endeavours readily seized the many opportunities offered by Singapore's advantageous trading position.

PRODUCTION

Singapore during 1947 further developed its traditional productive activities as a centre of entrepot trade and processing industries. The most marked development has been the expansion of secondary industry. Primary production does not exist on a large scale, its most important aspect being that of the fishing industry.

Primary Production.

Fisheries.—The demand for fresh fish in Singapore is high and the activities of the Fisheries Department were directed towards attaining an abundant supply of all materials required for the industry and to the removal of as many war-time controls as possi-

ble. This has resulted in the average daily supply of fish being maintained at the pre-war level of 36 tons per day. The supply of ice has been short, due to the inadequacy of productive capacity, but action taken both by Government and the fish dealers has increased it. The rearing of carp in ponds is an important side of small holding in the Colony and during the year the importation of China Carp by air was instituted with great success. The number of boats engaged in the industry rose from 1,370 at the end of 1946 to 1,530 during 1947 and the number of fishermen, of whom 75% are Chinese, increased from 3,483 to 3,801.

Agriculture.—The agricultural production of the Island is derived from small holdings in the hands of Chinese market-gardeners. Although there is only a limited area of land available for agricultural expansion, during 1947 the area under fresh vegetables showed an increase of 300 acres. Prices received by growers have fallen to some extent but they are still sufficiently high to encourage people to open up new land. A noteworthy change in crop cultivation was an increase in tobacco in the latter part of the year. Dried leaf sold to manufacturers amounted to 10,245 lbs.

Pineapples are being planted on a small scale on the western side of the Island, the area planted in 1947 amounting to 135 acres as compared with 15 acres in 1946. This increase in planted area is aimed at production for the local markets rather than for canning purposes.

The estimated total area under all types of cultivation is 69,206 acres compared with 68,715 acres in December, 1946.

Animal Husbandry.—The chief activities are the breeding of pigs and poultry for the local market. The number of pigs bred locally and marketed increased from 35,588 in 1946 to 60,954 at the end of 1947. It is estimated that poultry in the Colony number one million.

Dairying is to a large extent carried on by Indians with Indian breeds of milch-cows and milch-buffaloes, but there is one dairy farm under European management run on modern lines.

The main duty of the Veterinary Department is the administration of the quarantine laws, designed to prevent the introduction of disease and to control the epizootics which may occur in the Colony. All animals imported into the Colony whether for slaughter or other reasons are subjected to strict quarantine.

Secondary Industries

A general review of the future of Singapore as a centre of trade and an indication of the possibilities of future industrial expansion was published in the March 10th issue of the *Far Eastern Economic Review*. In this section some details will be given of the industries already operating and of those projects for which the pre-

liminary work has been carried out. These will be dealt with separately as processing industries, finishing industries and new industrial projects.

(1) Processing Industries

The Colony is most favourably situated as a collecting centre and a processing centre for the various products brought in from neighbouring territories. These are processed and graded by Singapore merchants and exported under the name of "Straits Produce." That trade term includes all agricultural or mineral products grown or produced in the Malayan Archipelago, and brought to British Malayan ports for the purpose of bulking, grading or otherwise preparing for shipment to consuming countries.

The processing industries concerned include rubber milling and grading, copra grading and oil milling, rattan manufacture, tobacco manufacture and the processing of forest products either for local consumption or for re-export.

Rubber Milling.—In this industry, which employs a labour force of more than 5,000 men and women, there are eight Chinese companies operating twelve factories and two European companies operating one each.

This industry is one of the greatest potential earners of foreign exchange in Singapore as much of the Para rubber which comes into the port has to be remilled into various grades of crepe before it can be exported to manufacturers in U.S.A. or the U.K.

Tin Smelting.—The tin-smelting industry was before the war the most important industry in Singapore, but has been severely handicapped by reason of the severe war damage suffered by the plant. During 1947 progress towards rehabilitation advanced further and the works are again able to deal with all available tin ore supplies. As greater supplies of tin ore become available the industry should regain its world-wide prestige.

Oil Milling.—There are six pre-war and three post-war mills in operation. With one exception, the mills are privately owned by Chinese with extensive connections with business houses scattered throughout the N.E.I. The oil refined from these mills is being used for soap manufacture, margarine making and for export. The nine mills operating employ 550 people and produce more than 4,000 tons per month.

Soap Manufacture.—Soap manufacture has been greatly stimulated by lack of imported soaps during the post-occupation period, and there are now four large and several small factories. These factories are in the process of improving the process of manufacture in order to expand their newly-won export trade to the N.E.I., Hongkong, Burma and the Middle East.

Brick Works.—More than 530 people are employed in the 13 brick works operating in Singapore. The present production of 1,500,000 bricks per month is absorbed in the local market

and the small per-war export trade in these products has not yet been resumed.

Sawmills.—The most important produce of these mills is sawn timber. There are 30 sawmills in Singapore which buy logs and their potential outturn ranges as high as 55 tons of sawn timber per day. During 1947 the export of sawn timber was 16,152 tons and the main buyers were from Shanghai, Hongkong and N.E.I.

Early in the year the demand for sawn timber slumped and production became uneconomic as the employees refused to accept wage cuts comparable with the fall in prices, so that several of the large mills closed down. The prices of most timbers have fallen steadily and are in some cases 40% below those of 1946, although the wages paid in most mills at the close of the year were the same as those paid in January.

(2) Finishing Industries

Singapore is favourably situated on the world's main trade routes to ensure a continual supply of shipping for those industries which depend on imports of raw materials.

There are several industries of this type ranging from engineering and foundry works to biscuit factories and breweries. Perhaps the most significant development in this type of industry during 1947 has been the expansion in engineering works. While some of the engineering works are only subsidiary to the tin, rubber and oil milling industries, the major firms manufacture complete articles such as tin dredges and oil and rubber milling machines. Concrete pipes and steel pipes are manufactured in the Colony and the demand for these products will grow, as development schemes are put into operation, so long as they can be produced locally cheaper than the cost of the imported articles.

The motor-car assembly plant established in Singapore before the war by a world-wide organization suffered severe war damage but operations recommenced during 1947. The close of the year saw the rehabilitation of the plant almost complete and the assembling of passenger cars was in progress.

This company plans a further development in the number of manufacturing operations carried out locally, thereby increasing local industry and employment. The completed products of this plant are shipped to the Netherlands East Indies, Siam and other neighbouring territories.

Latest developments in the uses of rubber for the manufacture of building materials, belting and hose for transport of petroleum products and vegetable oils have been applied by a company operating in Singapore. This factory is also engaged in the manufacture from plastic materials of engineering fittings and moulded articles for domestic use.

In Singapore facilities for ship repairing are provided by the Singapore

Harbour Board, not only for ocean-going ships but also for local coastal shipping and the oil tankers which load at oil fields in South East Asia.

Singapore has the only factory in the whole of the Malayan Peninsula which is properly equipped to manufacture paints, varnishes and wax polishes. Given sufficient raw materials this industry will undoubtedly expand, as paint and allied products play a large part in protecting buildings and equipments against the humid conditions found in this area.

(3) New Industrial Projects

Quite apart from the processing and finishing industries which are in the main complementary in some way to the entrepot trade of Singapore, there are growing up secondary industries of what may be called a domestic kind producing manufactured goods for the markets of neighbouring countries. The erection of a large glass-manufacturing plant was undertaken in 1947 and it is expected that production of glass products will begin early in 1948. A factory to produce batteries for distribution in South East Asia was completed at the end of 1947 and is expected to begin operations in March, 1948 when it will give employment to over 400 factory workers in addition to the office and supervisory staff.

Co-operative Societies

At the end of 1947 there were thirty-six registered Co-operative Societies and one Co-operative Urban Union in the Colony. The thirty-six societies comprised twenty-one Thrift and Loan Societies, ten Labourers' Co-operative Credit Societies, one Fishermen's Co-operative Credit Society, two Thrift and Investment Societies, one General Purposes Society and one Co-operative Store.

The total membership of the thirty-six primary societies on the 31st December, 1947 was 13,300. The twenty-one Thrift and Loan Societies had a sum of \$1,015,251.97 invested in Trustee securities. Four secondary school scholarships were awarded to the children of co-operators by the Singapore Urban Co-operative Union.

A new branch of the Singapore Co-operative Store was opened in the Fullerton Building in August and at the end of the year arrangements had been made for a second branch to be opened in the Singapore Harbour Board area.

CURRENCY AND BANKING

Banking and Exchange

The following banks had establishments in the Colony during the period under review:—

Ban Hin Lee Bank, Ltd.
Bank of China
Banque de l'Indochine
Chartered Bank of India, Australia & China
Eastern Bank, Ltd.
Hongkong & Shanghai Banking Corporation

Indian Bank, Ltd.
Indian Overseas Bank, Ltd.
Kwangtung Provincial Bank
Kwong Lee Banking Co., Ltd.
Lee Wah Bank, Ltd.
Mercantile Bank of India, Ltd.
National City Bank of New York
Netherlands Trading Society
Netherlands India Commercial Bank
Overseas-Chinese Banking Corporation
Sze Hai Tong Banking and Insurance Co., Ltd.
United Chinese Bank, Ltd.

In spite of the various controls operating in respect of trade generally, banking continues to show a steady increase and reflects the increased trade of the Colony.

Financial transactions are now possible through banking channels in respect of private trade with Germany.

During the year six additional members of the Malayan Exchange Banks Association were given wider powers in their capacity of official agents of the Foreign Exchange Control. They are:—

Bank of China
Banque de l'Indochine
National City Bank of New York
Netherlands Trading Society
Netherlands India Commercial Bank
Overseas-Chinese Banking Corporation, Ltd.

Post Office Savings Bank

The number of depositors in the Straits Settlements Savings Bank on the 31st December, 1947, was 88,571 as compared with 75,581 on the 31st December, 1946—an increase of 17%. During the year, 18,447 new accounts were opened while 5,458 accounts were closed.

The amount standing to the credit of depositors on the 31st December, 1947, was \$30,324,421 as compared with \$22,867,409 on the 31st December, 1946. The average amount to the credit of each depositor was \$303 and \$342 at the end of 1946 and 1947 respectively.

Seventy thousand and ten withdrawals on demand were made during the year, as against 41,432 in 1946 and 2,079 withdrawals by telegraph as compared with 758 during 1946.

Currency

The currency circulation as at 31st December, 1947 was as follows:—

Since the liberation, Malayan currency has been circulating in British North Borneo and Sarawak. The undermentioned amounts have been

	Notes	Coins	Total
B.M.A. (British Borneo)	11,200,000.00	289,080.00	11,489,080.00
British North Borneo	4,332,945.00	6,825.00	3,021,625.00
Sarawak	3,015,000.00	13,964.69	4,346,909.69
	\$18,547,945.00	\$309,669.69	\$18,857,614.69

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Notes:— \$ c.

(i) Pre-invasion issues i.e. notes issued before 15th February, 1942 94,131,786.86

(ii) Re-occupation issues i.e. notes issued since the liberation of Malaya 317,972,060.06

(iii) Total notes issued into circulation \$412,103,846.92

Coins:—

(i) Coins in circulation as at 15th February, 1942—
Silver 24,103,421.45
Copper or bronze .. 3,022,538.00

(ii) Coins issued into circulation since the liberation of Malaya—
Silver 1,406,903.35
Copper or bronze .. 234,963.34

(iii) Total coins issued into circulation \$ 28,767,826.14

The note circulation as at 15th February, 1942, was \$221,523,742.30 and the policy of withdrawing gradually the pre-invasion issues (i.e. notes circulating at 15.242) continues. As at 31st December, 1947, pre-invasion issues to the value of \$127,191,955.44 have been withdrawn from circulation leaving a balance of \$94,131,786.86 still in circulation at that date.

The active circulation of coin, other than copper or bronze coin, is almost nil. The inclination on the part of the public to hoard, coupled with the fact that a large proportion of the coin has probably been melted down for ornamental and industrial purposes, accounts for the present scarcity. Large stocks of 1-cent copper coin are, however, available with the Commissioners against public demand, and a new issue of higher denomination coin, minted from cupro-nickel will shortly be put into circulation, replacing the issue of notes of denominations of less than \$1 and of silver coin. In the meantime, no efforts are being spared to maintain the present note issues in as good a condition as possible by the rapid replacement of notes considered unfit for further circulation.

issued into circulation in North Borneo and Sarawak. (These figures are included in the amounts indicated in above).

DEVELOPMENTS IN SINGAPORE AND MALAYA

(BY OUR MALAYAN CORRESPONDENT)

WAR DAMAGE COMPENSATION

Proposals for a Malayan War Damage Compensation Scheme have been completed and were tabled at a meeting of the Federal Legislative Council in Kuala Lumpur last week. A select committee of the Council was appointed to consider the proposals. The scheme envisages the raising and disbursing of \$475,000,000 (Malayan currency).

It is proposed to raise the money as follows: by a contribution from the British Government of £10,000,000 equivalent to \$85,700,000; by proceeds of Japanese reparations estimated at £10,000,000, \$85,700,000; by proceeds of Malayan assets in the hands of Custodians of Property and proceeds of sales of Malayan property discovered in Japan, \$52,000,000; by amount standing to the credit of the Malayan War Risks (Goods) Insurance Fund, \$12,000,000 leaving \$239,600,000 to be found from the general revenues of the Federation and Singapore.

The British Government has expressed its desire to assist the Malayan Governments by granting interest-free loans up to a maximum of \$300,000,000 should the Malayan Governments be unable to meet the proposed expenditure.

The scheme is to be pan-Malayan in scope and it is proposed that it should be administered by a public corporation with a paid official chairman and vice-chairman assisted by twelve or more honorary unofficial members who would be representative of all classes of claimants.

The proposed scheme provisionally earmark \$100,000,000 for the settlement of claims under the War Risks (Goods) Insurance scheme which, it is pointed out is a contractual liability. All other payments under the scheme are to be ex-gratia. The tin and rubber industries are each to receive about \$85,000,000 and a sum of \$50,000,000 has been set aside for claims in respect of private goods and chattels leaving \$155,000,000 for claims in respect of other industries and businesses.

The total number of claims received by the War Damage Commission which was set up to receive them in January 1947 is 84,715 of a total value of \$1,303,000,000 in addition to claims under the War Risks (Goods) Insurance scheme which amount to \$196,000,000. It is stated in the proposals, however, that judging from experience in other areas it is expected that the total claims will be scaled down to a maximum of \$475,000,000.

The scheme requires the approval of both Legislative Councils in Singapore and in the Federal capital, Kuala Lumpur, and if this approval is obtained it is hoped to start the public corporation in January next. Priority of payment will be made "in cases of undue hardship" and second priority

will be given to insurance claims. Advances which have been made by the Federal Government to tin and rubber companies for rehabilitation purposes will be set-off against any sums due under the war damage compensation scheme. These advances are believed to total about \$90,000,000 of which \$50,000,000 has been advanced to the rubber industry and the remaining \$40,000,000 to the tin industry.

Criticism of the Scheme

The proposed scheme has received a mixed reception throughout Malaya. In the Federal Legislative Council last Thursday several members suggested that a further approach be made to the British Government to increase its contribution to a sum more in keeping with Great Britain's obligations as a protecting power.

The proposals say that every effort must be made by the Malayan Governments to raise the requisite revenue during the six years from January next during which period it is hoped to liquidate all claims. In order to do this, the proposals say that the burden of the cost of the scheme can now be more equitably and justly spread on rich and poor now that the Malayan Governments have introduced income-tax.

In Singapore there has already been criticism which suggests that the proposal to make individual taxpayers contribute to a scheme to reimburse big companies for the loss of capital assets is likely to be strongly opposed. These critics point out that many companies who have submitted large claims for compensation have already written-off these and have, since the re-occupation, made huge profits and distributed substantial dividends.

It is understood that strong representations will be made to the House of Commons and the House of Lords by leaders of the Malayan tin producing industry who are resident in the United Kingdom. They maintain that the contribution of £10,000,000 from the British Government is niggardly and that the proposed receipts from Japanese war reparations of £10,000,000 are not likely to eventuate. They will urge the British Government to reconsider the whole scheme, and they suggest that a much bigger share of the cost should fall on the British Government and eventually on the British taxpayer.

THE BUDGET AND INCOME TAX

The fact that Malaya herself may have to foot the largest share of the War Damage Compensation Scheme has drawn attention to the very unsatisfactory state of the finances of the Federation. At the Legislative Council meeting last Thursday it was stated that the deficit on the current financial year's working was unlikely to be less

than \$120,000,000, not taking into consideration the special expenditure on the present emergency which is estimated to be not less than \$25,000,000 until the end of December.

The budget for the current year estimates a yield of not less than \$25,000,000 from income-tax which came into force in January of this year. Owing to the delays in getting amendments to the original income-tax scheme through the respective legislative councils not one cent has been received from this source so far. The income tax legislation for the year 1948 was finally approved in the middle of July last and the Governments are now considering the appropriate forms which have to be circulated to potential taxpayers for them to render their statutory returns. It is hoped, however, that the forms will be ready for despatch to taxpayers before the end of the current month and that revenue should immediately accrue. Companies have deducted tax at the rate of 20 per centum from dividends which have been paid during the current year.

In the colony of Singapore the budget for the current year estimates a yield of \$20,000,000 from income tax which just balanced the estimates. Since these estimates were compiled, however, the Legislative Council has approved many items of additional expenditure, at least totalling \$10,000,000, and it now appears likely that the Colony, as well as the Federation, will end the year with a substantial deficit.

An assurance was given in Kuala Lumpur last week that direct taxation would not be raised for the current year but that sources of indirect taxation were continually in the mind of the Finance sub-committee of the Legislative Council and it may be that import and export duties, which yield a great portion of the Federation's revenue, will be increased before the year end. It is certain that for the year 1949 a considerable increase in the rates of income-tax will be made by both Governments.

THE EMERGENCY AND EXPORT PRODUCTION

The Legislative Council in Kuala Lumpur last Thursday also discussed the cost of the present emergency and five European members representing commerce, tin and rubber industries, made impassioned speeches and suggested that "as the present emergency is entirely due to the fault of the Colonial Office in London disregarding the advice of people on the spot" the Colonial Office should be asked to foot the bill, other than the cost of raising the police force to adequate proportions.

The acting Financial Secretary, however, said that in view of the very heavy taxation at present in force in Great Britain the Government of Malaya would consider it incumbent on it to do all it could to finance this special expenditure. The suggestion that this expenditure should be shouldered by the British taxpayer has found

little support among the general public. One Federal Councillor, however, said that although the taxation burden in Great Britain was very heavy "he could not absolve the British taxpayer from the consequences of the acts of the Government which he had elected." The acting High Commissioner of the Federation, Sir Alce Newbould, went no further than saying that a record of the proceedings of Council would be forwarded to the Secretary of State for the Colonies in London.

The present terrorist outbreak in Malaya has not, as was expected, had any serious effect on the production of the country's two main industries, rubber and tin. Shipments of rubber last month, including rubber imported from neighbouring territories which was re-exported, totalled 83,620 tons, nearly 7,000 tons more than in the preceding month. No great increase in imports is expected so that the higher shipments in August were from Malayan production. Tin production is also steadily increasing as more mines are coming into production.

The fact that neither tin nor rubber production has been seriously affected is probably due to a complete cessation of labour strikes on plantations and mines. Before the emergency was proclaimed early in June political agitators and communist dominated trades union leaders had embarked on a programme of intimidation of estate and mine workers and they were responsible for many strikes which could not correctly be attributable to genuine industrial unrest. The special emergency powers conferred on the police enabled them to round-up many of these undesirable characters while the few that escaped have gone underground so that with the disappearance of the intimidators all workers returned to work on their employer's terms. Not a single strike is in force among workers at the moment so that maximum production is being obtained from the many plantations and mines which had experienced labour troubles in the past. Some estates, however, continue to lose a not inconsiderable portion of their crop by theft and it is from this source that the terrorists are getting most of their income. This is particularly true of some Chinese-owned estates, some of whom have been credited with purchasing their immunity from attack by silently submitting to the theft of some of their production.

MALAYA'S JULY TRADE

Malayan overseas trade reached record proportions in July when exports were valued at \$179,760,398 and imports were valued at \$175,888,578. The comparative prices for June were exports \$143,623,869 and imports \$172,138,837. Higher prices for rubber and tin are mainly responsible for the increase in the value of exports. Exports to Hong Kong were valued at \$3,500,000 (Malayan currency) while imports from that territory were valued at around \$2,000,000.

SINGAPORE—THE COUNTRY, PEOPLE, HISTORY AND ADMINISTRATION

REPORT BY THE HON. COLONIAL SECRETARY,
GOVERNMENT OF SINGAPORE

GEOGRAPHY

The Colony of Singapore consists of Singapore Island itself, with some adjacent islets, and Christmas Island and the Cocos or Keeling Islands in the Indian Ocean.

Singapore Island is situated off the southern extremity of the Malay Peninsula to which it is joined by a causeway carrying a road and railway. The straits between the Island and mainland are about three quarters of a mile wide. The Island is some 27 miles in length and 14 miles in breadth, and about 217 square miles in area, including the adjacent islets. The town of Singapore is situated on the southern side of the Island. For administrative purposes the Municipal

area (31 square miles) is distinct from the remainder, or Rural Board area. The former is primarily residential and the latter predominantly agricultural, though housing development is proceeding at a rapid rate outside the Municipal boundaries.

Christmas Island is situated in the Indian Ocean about 190 miles South of the Western extremity of Java. The coast of North-west Australia lies some 900 miles to the South-east. The submarine slopes of the Island are very steep, and soundings of upwards of 1,000 fathoms occur within two or three miles of the coast. The Island, which is steep-sided and densely wooded, has an area of about 60 square miles, and contains extensive deposits of phosphate of lime which are worked and exported.

The Cocos or Keeling Islands are a group of 27 small coral islands about 700 miles South-west of Batavia and about 500 miles distant from Christmas Island. The largest is five miles long and one-fourth mile wide. Only two, "Home" and "Direction" Islands have important settlements, the latter being inhabited by the staff of Cable and Wireless, which maintains a station there. On West Island there is an air-strip which played an important part in communications during the War with Japan (the Cocos Islands, unlike the rest of the Colony, were never occupied by the Japanese). Home Island houses the labour force for working the large coconut plantations on the islands. The only export is copra.

CLIMATE

The Climate of Singapore is characterized by uniform temperature, high humidity and copious rainfall. The variation of temperature throughout the year is very small and the excessively high temperatures of continental tropical areas is never experienced. Although the days are hot and, on account of the high humidity somewhat oppressive, the nights are almost always reasonably cool, and it rarely happens that refreshing sleep is not obtained. The average maximum temperature for the whole year is 86°F and the average minimum temperature 75°F. The average for any one month does not depart from the annual mean by more than 2°F.

There are no well marked dry and wet seasons. Rain falls throughout the year. Records for a number of years show that the average annual rainfall is 95 inches. December is the wettest month with a little over 10 inches while February, May, June, July and September are dry months, with between 6½ and 7 inches. Rain falls on the average on one day in two.

The wettest year on record is 1913 with 135.92 inches and the driest year 1888 with 63.21 inches. Prevailing

SHARE MARKET AND PUBLIC COMPANIES

In the share market during the week ended last Friday, Fraser and Co., Malaya's leading firm of stock and share brokers, say "that business was on a modest scale and with quotations moving irregularly within fairly narrow limits, no general trend was discernible. Industrial shares supplied the bulk of business done. Tin shares were disappointing while the turnover in rubber shares was slightly less meagre than of late. Loans were in better supply and a fair business was done."

This same firm says that McAlister and Co. Ltd., general importers and exporters, pleased the market with an excellent report for the year ended June last. After making many provisions a profit of \$851,037 (55.4 per cent.) was shown. With customary prudence the Board recommends the distribution of less than half the profit in repeating last year's dividend in a final of 20 per cent., making 25 per cent. The magnitude of the financial resources of this ably conducted concern is shown in the balance sheet in which net liquid assets come to \$4,289,261 or \$27.84 per share. No account has been taken in the report for claims on Government by way of War Insurance of goods or other losses from hostilities but it is likely that such claims amount to a very appreciable sum."

Straits Steamship Co. Ltd. has presented a profit and loss account for the year ended December last when \$547,082 (8¼ per cent.) was made after allowing \$1,200,000 for depreciation. A dividend of 7½ per cent. was paid. The balance sheet has been brought only to December 1944, the final figures for the subsequent year from the company which was registered in England being still incomplete. At the end of 1944 net liquid assets were \$8,307,356 or \$12.51 per share.

winds are southerly from May to October and northerly from November to April.

The year 1947 was on the whole a wet one with 111 inches of rain against a normal of 95 inches. March was the wettest month with some 16 inches of rain; more than twice the normal fall for this month. July was the driest month with 3½ inches of rain.

Temperatures were normal. The highest temperature 93°F was recorded on 25th April and again on 21st July.

POPULATION

The Japanese enumeration in 1944 gave a return of 860,000. At the 1931 census—the last recorded—the total was only 557,745.

Year	Chinese	Malays	Indians	Europeans	Eurasians	Others	Total
1911	219,577	41,806	27,755	—	not available	—	303,321
1921	315,151	53,595	32,314	6,145	5,436	5,717	418,258
1931	418,640	65,014	50,811	8,082	6,903	8,295	557,745
1947	727,863	114,654	71,289	7,718	9,012	6,543	938,079

Thus the population of Singapore Island has increased by some 68% over the last sixteen years as compared with a 33% increase between the 1921 and 1931 census periods and 38% between 1911 and 1921. While there was a very considerable immigration from India and China over the 1911 to 1931 decades which accounted for a large part of the population increase this factor greatly diminished after the latter year and was of course non-existent during the war. Thus an explanation of the remarkable growth in the size of the Colony's population between 1931 and 1947 has to be sought elsewhere and undoubtedly a much heavier natural increase is one of the main contributory causes. The change in the sex ratio appears to support this view:—

Year	Males	Females	Females per 1,000 males
			(approximate)
1911	215,489	87,832	408
1921	280,918	137,440	489
1931	352,167	205,578	584
1947	515,814	422,265	819

While a study of the figures for each of the main communities shows that the composition of the population remains basically the same as in the last two census enumerations they clearly indicate a considerable increase in the proportion of Chinese as compared with all other races:—

Year	Chinese	% of total	Malays	% of total	Indians	% of total
1931	418,640	75.1	65,014	11.7	50,811	9.1
1947	727,863	77.6	114,654	12.2	71,289	7.6

This increase in the population by over 68% during the last sixteen years gives an idea of the magnitude of the housing and health problems with which the Colony is faced. These would be serious enough if the present housing was up-to-date and sanitary and existing services were adequate. The position is however that a large proportion of the population lives in old and over-crowded buildings while the hospital facilities are only capable of dealing adequately with a population a quarter of the present size. Unless counter-measures are taken the situation will continue to deteriorate in proportion to the yearly increase in the size of the population.

Population on Christmas and Cocos-Keeling Islands

These Islands are situated in the Indian Ocean. While Christmas Island has a population of a few hundred Chinese and Malays employed in exporting the deposits of phosphate of lime found there, Cocos or Keeling Islands consist of some twenty-seven coral reefs, only two of which are of any practical significance. One is used as a Cable and Wireless station and another by labourers and their families working the large coconut plantations on the islands. The latter is unique in that the population is self-supporting and immune to outside interference. In consequence it offers the possibility of an interesting sociological and medical study.

Total population on Cocos Island in 1947: 1,811 of whom 1,778 Malays. Total population on Christmas Island: 823, of whom 621 Chinese, 32 Malays, 99 other Malaysians, 11 Indians, 55 Europeans, 5 others.

Total census for both islands in 1947: 2,634 (females 1,121).

Births and Birth Rates

	No.	Rate 1947
Chinese	33,619	46.20
Malays	5,473	47.73
Indians	3,087	43.30
Europeans	312	35.79
Eurasians	359	39.84
Others	185	28.27
Total	43,045	45.89

The number of births in 1947 is more than double that in 1931. The present rate for the Colony is a high one.

Migration Statistics by Sea and Air during 1947

Immigrants	
Race	
Europeans and Americans	19,433
Eurasians	172
Japanese	108
Chinese	100,818
Malays	8,394
Northern Indians	6,041
Southern Indians	18,799
Others	650
Total	154,145

Emigrants	
Race	
Europeans and Americans	17,361
Eurasians	113
Japanese	102
Chinese	102,258
Malays	8,757
Northern Indians	3,295
Southern Indians	24,622
Others	570
Total	157,078

History of Singapore

In 1819, at the beginning of the year, six ships of the Honourable East India Company lay off an island in the Straits of Malacca. From these on 28th January there put off a small boat carrying two white men and a sepoy guard. One of them, though not yet 38, had already made his mark in the world. He had saved Malacca from destruction, he had suggested the conquest of Java and ruled that Island as Lieutenant-Governor for five years, he had been censured by the Company and knighted by the Prince Regent, he was now Lieutenant-Governor of the moribund settlement of Bencoolen in Sumatra and commissioned, at his own suggestion, by the Governor-General of India to establish a trading station in Riau or Johore. His name was Thomas Stamford Raffles.

The boat nosed its way up a man-grove-lined creek till it reached a clearing where stood some fifty attap huts and a somewhat large house, the residence of the Temenggong, the Malay governor of the island. The Temenggong met the white men as they landed, with gifts of fruit: through the hot mid-day hours they talked in the cool dimness of the chief's verandah: and when Raffles put back to his fleet the foundation of the Colony of Singapore had been laid.

The Temenggong would treat but was nominally a subordinate, and Raffles sent for Tengku Hussein, sultan *de jure* of Johore-Lingga though supplanted with Dutch connivance by his younger brother. Hussein too would treat and on 6th February the Sultan and Temenggong agreed to the building of a British factory on Singapore

Island and equally to exclude from their territories all other powers. Raffles' "political child" was born.

Henceforward Raffles was to refer to "my city of Singapore." He was richly entitled to do so. It had been his researches which had informed him of the forgotten past of the Island, of the prosperous commercial centre which had flourished there under the name of Singapura, the "Lion City," in the 13th and 14th centuries, and had been destroyed by the Javanese in or before 1377. It was his imaginative power which had revealed to him the immense strategic and commercial value of its position commanding the southern entrance to the Straits and on the most direct route to the Far East.

Establishment of the "Free Port"

It was his strong common sense which told him that men commonly dislike restrictions, especially in trade, and led him to enunciate that economic principle of the "free port" upon which the foundations of Singapore's prosperity were laid. It was his self-confidence and audacity which prompted him to an action which he knew must provoke general and bitter opposition. Nor was he mistaken. The Dutch, monopolists as ever, protested forcibly against the interloper. Colonel Bannerman, the Governor of Penang, timorous and jealous, foresaw the blackest disaster. The East India Company directors in Leadenhall Street were apprehensive, and stated their objections to the Governor-General, Lord Hastings. He had no liking for the situation, but since the thing was done it had better remain so, and he had no use whatever for the threats or claims of the Dutch.

So no decision was taken and meanwhile, though Raffles himself was struggling with derelict Bencoolen, his offspring began to speak for itself, and with authority. No more than 150 when Raffles landed, the population rose to 5,000 in June, 1819 and to 10-12,000 in August. Trade hitherto non-existent, by 1820 far excelled that of Malacca. In 1822 the value of imports and exports was \$8,568,151, in 1823 it had jumped to \$13,268,397. Patently this infant prodigy was an asset which could not be surrendered.

Nor was it. By the Treaty of London, 17th March, 1824, Holland withdrew its objections to the occupation of Singapore and ceded Malacca, while Britain gave up Bencoolen and all the Company's possessions in Sumatra. At the same time British sovereignty in Singapore was placed on a sound juridical basis by a treaty with the Sultan and Temenggong on 2nd August, 1824, which ceded to the East India Company the Island of Singapore in full sovereignty and property.

Meanwhile, in 1822-23, Raffles had paid his last visit to Singapore, and, working with his usual titanic energy, had endowed it with a magistracy, a code of laws and a police force, trading regulations and a town-planning scheme, and, as he hoped, an institu-

tion which would make Singapore the intellectual as well as the commercial entrepot of South East Asia. In 1824 he returned to England where he died in 1826, not yet 45.

Great Progress and Establishment of the Crown Colony

In the succeeding years the phenomenal progress of his creation showed no sign of diminution. The trade figures were £2,610,440 in 1825, £13,252,175 in 1864. The population which at the first census in 1824 numbered 10,683 had risen by 1860 to 81,734 of all nationalities, but with a significant majority (over 50,000) of Chinese. Singapore had completely overshadowed its sister settlements of Malacca and Penang, with which it had been incorporated in 1826 as the Straits Settlements, and it was natural that the seat of government should be transferred from Penang to Singapore in 1832. But *surgit semper aliquid amari*. Singapore was doing well but, thought its inhabitants, could do better: and the drag on its further progress was the fact that it was an outlying possession of a distant government in India, which did not consult Malayan interests.

The Straits Settlements had been put under the Presidency of Bengal in 1830 and transferred to the direct control of the Governor-General in 1851. It was all one to Singapore: it disliked in increasing measure government from India and in the fifties its discontent became vociferous. It complained in general that the Supreme Government sacrificed the interests of the Straits Settlements to those of India: in particular that it interfered with the currency to the detriment of trade, that it sought continuously to infringe the sacred principle of the "free port" by revenue-producing devices, above all that by its policy of strict non-intervention with the Malay States of the hinterland, it held back the Singapore merchants from developing a large territory of great potential wealth but now so sunk in irremediable anarchy as to render regular trading impossibly hazardous.

The Government of India, for its part, was quite willing to let its wayward dependencies depart in peace. Prosperous the Straits might be, but so low was the taxation that they were actually a burden on the Indian Government. Moreover since the abolition of the Company's monopoly of the China trade in 1834 India was no longer interested in the Straits; it was difficult to find suitable officials for the territory and protection in war was impossible. By all means, therefore, transfer the Straits Settlements to the Colonial Office. So reasoned the Viceroy, Lord Canning in 1859, and in 1860 the transfer was agreed to in principle. To settle the details was another matter. In addition to the parties to the transfer, the War Office and the Treasury were involved, and

it was not until 10th August, 1866, that an act was passed to transfer the control of the Straits Settlements from the Indian Government to the Colonial Office.

On 1st April, 1867, the transfer was formally effected and the Straits Settlements became a Crown Colony.

Development of Malaya

The proximate result was the dropping of the policy of non-intervention and the inauguration of a policy of protection and guidance in the native states of the peninsula which in a few decades converted an unhealthy, sparsely-populated and anarchic country into the most prosperous and best developed of all Britain's tropical dependencies. In this development Singapore played a primary part and in the resultant prosperity she had her share. It was in Singapore that European processes of tin-smelting were introduced in 1887 with the result that in 1939 Singapore smelted more tin than England and Holland combined. It was in Singapore and in Perak that *Hevea brasiliensis* was successfully cultivated in 1877; it was the Director of Singapore's Botanical Gardens, Mr. Ridley, who in 1891, first exhibited cultivated rubber to the public, and though Singapore grew little rubber itself, it became the chief rubber export centre of the world and in 1918 out of a total trade of \$512,229,753 the value of rubber exported was \$153,455,920. Population followed prosperity in a continuous upward curve: a century after Raffles' landing the population within the municipal limits was estimated at 305,000, in 1931 it was 559,946 of whom 74.9% were Chinese.

With justice could the Singapore Chamber of Commerce refer in 1919 to "the wondrous growth of the trade of the Port." In that respect Raffles' expectations had been fulfilled completely. But in two major respects his aspirations remained ungratified.

His strategic eye had not failed to perceive the key position of Singapore or the vital line of trade and communications which runs through the Mediterranean and Indian Ocean to China and the Antipodes. Singapore, he wrote, will become the Malta of the East. But prior to the 1914-18 War little resemblance was apparent. In 1873 indeed Singapore was described as "defenceless" and though the adjacent islands of Blakang Mati and Pulau Brani were subsequently fortified, the garrison of Singapore in 1914 consisted of no more than the equivalent of two battalions, while from the naval point of view it was no more than a port of call and coal-laying station.

Fortification of Singapore and the Japanese Occupation

The emergence of Japan as the third naval power in the world funda-

mentally altered the strategic situation. Japan had hitherto been an ally, but was known to have wobbled in 1918 and to entertain aspirations which must bring her into conflict with British interests. The protection of the Indian Ocean and of the Antipodes necessitated the presence of a battle-fleet in Eastern waters: a battle-fleet required a naval-base with adequate docking facilities and there existed none such from Malta to Pearl Harbour. So in 1921 the Imperial Conference decided that Singapore should become, as Raffles had foreseen, the Malta of the East. By 1938 a first class naval-base had been constructed with graving and floating docks to accommodate the largest capital ships. An air-base was established, the garrison multiplied and the peaceful commercial city was transformed into a fortress. But Singapore differs from Malta in one essential particular, in that it has an extensive hinterland from which it is separated only by a narrow strait. Lacking naval and air support the fortress succumbed to a Japanese land attack in February, 1942.

For three and a half years Singapore, under the alias of Syonan, remained perforce in the much vaunted Japanese Co-Prosperity Sphere, and learnt that the prosperity, if any, accrued entirely to the Japanese and that co-operation meant in effect the crassest exploitation. On 5th September, 1945, the forces of South East Asia Command under Lord Louis (now Viscount) Mountbatten fresh from their great victories over the Japanese in Burma bloodlessly recovered Singapore, shabby and despoiled, with its people diminished and starving, but largely intact, no longer to be one of the Straits Settlements but to constitute the separate Colony of Singapore.

The future University of Malaya

One more, the dearest and most delayed, of Raffles' expectations, awaits fulfilment in the near future. "Education," wrote Raffles in 1823, in a minute which should be more famous than Macaulay's "must keep pace with commerce in order that its benefits may be ensured and its evils avoided." He advocated therefore the establishment of "an institution in the nature of a College" with the object of educating the higher classes of the native population and of facilitating research into "the history, condition and resources" of South East Asia. When he left in 1823 the foundation stone of his institution was laid and a liberal endowment provided. But the conception was too lofty for his successors, the endowment was dissipated, and only in 1837 was the institution put to use as a school. For a century education languished and in 1919 the editor of the Straits Times could write of the "deplorable" condition that existed in this respect.

One very important step had been taken in 1905 when a Medical School was established which developed into the King Edward VII College of Medicine. But it was not till 1918 that a committee appointed to make recommendations for the celebration of the centenary of Singapore unanimously reported "that the most suitable memorial is a scheme which will provide for the advancement of the education of the Colony with a view to laying securely the foundations upon which a University may in course of time be established." From this report proceeded Raffles College which was opened in 1928 as a centre for higher education of a university standard. The union of Raffles College and the King Edward VII College of Medicine into a University College is now at hand, and with its development into the University of Malaya that last and most resplendent of Raffles' visions, of Malaya as the cultural centre of South East Asia, will come to pass.

Notes on the History of Christmas Island and of the Cocos or Keeling Islands

Christmas Island.—The first mention of Christmas Island occurs in a map by Pieter Goos, published in Holland in 1666, in which it is called *Moni*. In subsequent maps this name and that of Christmas Island are applied to it indifferently, but it is not known by whom the island was discovered and named. Dampier landed at the island in 1688, and a description of it is to be found in his "Voyages". The island was formally annexed by H.M.S. "Imperieuse" in June, 1888 and placed under the supervision of the Straits Settlements Government. In 1896 Sir John Murray offered to pay the expenses of an expedition to study the island, of which Mr. C. W. Andrews of the British Museum was the leader. The expedition reached Christmas Island in July, 1897 and stayed there over ten months, during which time Mr. Andrews and his companions accumulated a valuable series of natural history and geographical specimens which now form a part of the national collections at South Kensington. On his return Mr. Andrews prepared an elaborate monograph embodying the results of the investigations of the party, and this was officially published.

In November, 1888, following upon the annexation of the island, a settlement was established at Flying Fish cove by Mr. G. Clunies Ross of Cocos-Keeling Islands. In 1900 Christmas Island was incorporated with the Settlement of Singapore. In February, 1891 Sir John Murray and Mr. G. Clunies Ross were granted a 99-year lease of the island, and in 1895-96 Mr. Sidney Clunies Ross made explorations in the higher part of it, resulting in the discovery of large deposits of phosphate of lime. Six years later the

leaseholders sold out their rights to a Christmas Island Phosphate Company, which pays to the Singapore Government an annual rent and a royalty on all phosphate exported. The island was occupied by the Japanese between 1942 and 1945.

The Cocos or Keeling Islands were discovered in 1609 by Captain Keeling on his voyage from Batavia to the Cape and were declared a British possession in 1857.

In 1878 they were attached to Ceylon and four years later the supervision of the group was handed over to the Straits Settlements Government. Captain John Clunies Ross, a Scot, first settled on the islands in 1827, where members of his family have lived ever since. They were visited in 1836 by Charles Darwin, who during the voyage of the "Beagle" put in and stayed there for some while. It was during this time that he made the observations on which he formed his famous theory of the formation of coral reefs.

In 1886 a perpetual grant of the lands in the islands was made by H.M. Government to George Clunies Ross and his descendants who established coconut plantations in the cultivation of which the entire population is engaged. In 1902 these plantations were struck by a devastating cyclone which uprooted 300,000 trees and this seriously affected the trade of the islands for some years. In 1903 they were incorporated with the Settlement of Singapore.

ADMINISTRATION OF SINGAPORE

The Government consists of a Governor aided by an Advisory Council.

The Governor is appointed by Commission under the Royal Sign Manual and Signet, during His Majesty's pleasure. His office is constituted and his powers defined by the Singapore Order in Council of 27th March, 1946, and by Instructions passed under the Royal Sign Manual and Signet of the same date.

The constitution of the Advisory Council is not precisely defined by law, but it consisted at the end of 1947, of the Governor as President and of seven official and ten unofficial nominated members. This is a transitional arrangement only, pending the introduction of an Executive Council and Legislative Council, the broad lines of the constitution of which are laid down by the Singapore Order in Council referred to above.

The Executive Council is to consist of such persons as His Majesty shall direct.

The Legislative Council is to consist of the Governor as President, four *ex officio* Members, five Nominated Official Members, and such Nominated Unofficial Members not exceeding four, and such Elected Members not exceeding nine as His Majesty shall direct. The *ex officio* Members will be the Colonial Secre-

THE NETHERLANDS ECONOMIC PROBLEMS

The Indonesian Situation

BY A CORRESPONDENT IN HOLLAND

On balance, the result of three post-war years of hard work in the Netherlands may be considered favourable. The figures in practically all fields of economic activity express this in no uncertain manner.

For instance, the general production index in industry (1938 : 100), which was about 20 in the middle of 1945 just after the liberation, had risen to 67 by the middle of 1946, 91 by the middle of 1947 and 110 by the middle of 1948. In a similar manner the average monthly export value rose with the production index from 16.2 m. guilders in 1945 to 65.4 m. guilders in 1947 and 196.3 m. guilders for the first half of 1948 (1938: 86 m. guilders). Both series of figures give an indica-

tion of the speed with which the recovery of production has proceeded in the Netherlands, which is largely thanks to lack of labour disputes and to social stability. In 1947 only 1/10 of the working days were lost by strikes of the lost number in 1920. And although the war caused a fall in the productivity of labour due to physical exhaustion and recession in skill, even this field evinces evidence of certain improvement.

It would, however, be most unwise to be blinded by these favourable figures. The war has left the Netherlands with a number of serious problems, which will take years of bitter struggle to bring to solution. Without help from abroad it would be quite impossible to win this struggle in the foreseeable future. Even with this help the return of Netherlands prosperity will be largely dependent upon the recovery of an economically sound Europe.

Holland's most serious problem is that of its population. It is the most densely populated country in the world (751 inhabitants per sq. mile) and the population is increasing by 1½% to 2% yearly.

Agriculture, particularly horticulture and live-stock farming, is so intensively conducted that it cannot be expected to absorb any more labour. It is true that "impoldering," particularly of the former Zuider Zee, will gradually provide increased land for cultivation, but its capacity to take up rural labour is amply compensated by continuously increasing mechanisation in agriculture. The capacity of trade and commerce in the Netherlands to take up more labour is also restricted. An unusually large proportion of the population is already employed in these branches (a good 1/5). It has been generally concluded here that rapid industrialisation offers the only solution for the population problem. The trouble is that industrialisation costs foreign exchange and this is just one of the points in which the Netherlands is poor. If Marshall aid cannot present Holland with the solution, it can at any rate contribute an important part towards the solution. The expansion of Netherlands industrial potential will be largely concentrated in the chemical and metal industries.

The second problem is that of the German hinterland. The Netherlands economy has always been closely bound up with Germany.

Rotterdam, the Dutch Rhine harbour and the largest on the European continent, existed before the war to about 80% on the transport of goods to and from Germany. The cheapest way to carry goods to and from the Ruhr

and the Rhineland lies by the Dutch Rhine ports and Antwerp; this route offers the additional advantage of relieving the overburdened German transport system. Since the end of the war the transit to and from these areas has been mainly by German ports, to the serious detriment of the Benelux ports. The densely populated Western Germany was an important customer for Dutch agricultural produce, being exceeded as an importer of Netherlands goods only by Great Britain. At the same time Germany was such an important supplier of industrial products and technical equipment that more than half the machinery in the Netherlands is of German manufacture. Even now, Germany is capable of supplying a good deal of necessary machinery, spares and raw materials, and the Netherlands is ready to provide hungry Germany with food.

The recently initialled trade agreement between Bizonia and the Netherlands opens up perspectives for the exchange of goods. The situation of the extensive Dutch investments in Germany also continues to be a matter of great concern. Dutch participation in the German manufacturing and mining industries is very considerable; the legislation of the occupying authorities threatens to cause grave injury to these investments, while opportunities offered to Dutchmen to protect their interests on the spot are still insufficient.

Netherlanders are sure that they are the most knowledgeable concerning the situations, problems and mentality of Western Germany and could undoubtedly render considerable assistance in integrating Western Germany into Western European economy, but hardly any chance of this is held out. Without a sound Western Germany a prosperous Netherlands cannot exist.

The third large economic problem for the Netherlands is Indonesia.

In those regions to which the Dutch have access, far and away the greatest part of the archipelago, there is stability, prosperity is fast returning and the construction of the United States of Indonesia is developing favourably. Only the regions under the Republic remain a hot-bed of agitation and economic stagnation. For two years now the Netherlands has taken considerable trouble to reach agreement with the more moderate elements in the Republic, but although an armistice has been reached, extremist elements strongly influenced by communists, continue to impede the achievement of an acceptable agreement.

All this reacts against the prosperity of the population itself, to the disadvantage of the Netherlands and finally of the whole world, which stands so sorely in need of the scarce raw materials of this rich area for its rehabilitation.

tary, the Attorney-General, the Financial Secretary and the President of the Municipal Commissioners. Of the nine elected members, three are to be elected by the three Chambers of Commerce, four from two Municipal electoral districts each returning two members, and two from two Rural electoral areas each returning one member.

There is in the Colony a Supreme Court having unlimited civil and criminal jurisdiction. It is a Court of Record and consists of a High Court, and a Court of Appeal.

The administration of ordinary affairs, subject to the direction of the Governor in matters requiring submission to him, is carried on by the Colonial Secretary. District Officers are stationed in Christmas Island, and in the Cocos or Keeling Islands.

The administration of the town of Singapore is vested in a Municipality whose members are appointed by the Governor, though proposals for their election on a more representative basis are under consideration. The rural areas of Singapore and its adjacent islands are administered by a Rural Board constituted under the Municipal Ordinance, which also prescribes its duties and defines its powers. By the provisions of this Ordinance, the essential and ultimate control over both the Municipal and the Rural Board areas remain vested in the Governor in Council.

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The above reports were written by the Hon. P. A. B. McKerron, C.M.G., Colonial Secretary, Government of Singapore. The first article, a general review of Singapore in 1947 was published in the last issue of this Review.

The series of reports on Singapore will be continued in the next issues of the Far Eastern Economic Review.

THE INTERRELATIONSHIPS BETWEEN THE NETHERLANDS AND INDONESIA

Indonesia's Commercial & Financial Importance

The Netherlands Government has introduced a Bill for granting a credit to the Netherlands Indies to an amount of 850 million guilders.

As a result of the war and its aftermath the Netherlands Indies was faced with serious financial difficulties. Being conscious of the Netherlands' historical and moral responsibilities

for the welfare of the Indies, the Netherlands Government considered it its duty to assist this part of its Empire by means of credits in order to prevent the dislocation of the inter-payment traffic between the Netherlands and the Netherlands Indies.

The annual payments which the Indies before the war had to make to the Netherlands were always settled in the shape of commodities. As a debtor country the Indies in that period almost without exception exported more than it imported.

Indonesia's Active Trade Balance

The balance of trade of the Indies had already been an active one long before the beginning of the 20th century. Its export surplus in the course of the period 1896—1906 averaged 25% of the total value of the exports. After 1900 this percentage constantly increased. In 1916—1920 it even amounted to 49%, whereupon it declined to 31% over the 1931—1935 period of depression, after which it gradually increased again to an average of 42% in the course of 1936—1939.

Prior to 1914 Holland received from the Indies goods to an annual value considerably exceeding the value of the goods it supplied to the Indies. After the 1914—1918 war had begun the exports from the Indies to the Netherlands greatly declined, whereas the imports from the Netherlands into the Indies increased. Subsequent to 1919 there were several years in which there was an export surplus in favour of the Netherlands. This development can be ascribed to the drastic changes made in the course of the year in the method of selling the products of the Indies. Up to the first world war Holland acted as a staple-market for a large number of products from the Indies. But as a result of the great difficulties of transportation, more especially in 1917—1918, many products were shipped direct from the Indies to the countries of consumption. After 1918 these direct deliveries further increased, so that in 1940, except for a few special articles, the export of products from the Indies to Holland did not greatly exceed the consumption in this latter country, and this export practically covered the imports from the Netherlands. When therefore we state that the Indies settled in goods the amounts that had to be paid annually to Holland, this must be understood to mean with reference to the period after 1919 that the Netherlands received payment mainly in goods that were bought by Holland in other countries with the proceeds from goods shipped by the Indies to such other countries.

Payments between Holland and Indonesia

In 1938 the Indies remitted an amount of florins 117 million to Holland on account of profits made by

enterprises in the Indies with headquarters in the Netherlands, at least in so far as such profits were not re-invested in these estates for their extension. Furthermore, in that same year Holland received f 46 million for costs of management in Holland, furlough pay, pensions, money transfers, life insurance premiums, savings of residents in the Indies, and expenses incurred by persons on leave from the Indies. In addition the Indies paid in interest in the redemption of long term debts incurred in the Netherlands about f 62 million. Including the roughly f 25 million which the Netherlands Indies Government in 1938 had to transfer to the Netherlands, for pensions and for furlough allowances to former officials in the Indies or to Indies officials on leave in Holland, this reached an amount of more or less f 250 million.

This amount, however, did not represent the total paid by the Indies to Holland, in that year, for it does not include the balance of the internal settlements which especially in the case of agricultural estates active both in the Netherlands and in the Indies, or that had sent capital goods to the Indies and products to Holland (as, for instance, the old companies), had greatly expanded although its influence upon the exchange market was barely noticeable. These settlements represented about

A fourth important problem for the Netherlands is that of Western European cooperation. The governments of Belgium, Luxemburg and the Netherlands have been the first to convert their conception of the necessity for this integration into deeds.

The customs union between the three countries has unified import duties at a low level, abolishing them altogether with respect to their mutual trade. It is true that the quantity of mutual imports is still limited in many cases, but this is sure to change when, after January 1st, 1950, the Economic Union has become a fact.

The difficulties are by no means small and mostly attributable to the somewhat different outlook on economic problems which the Netherlands and the Belgo-Luxemburg economic union appear to possess. Experts in the three countries maintain that this difference springs from the sharply differing economic situations in which the countries found themselves after the war. The extent to which these differences can be ironed out will decide the degree to which viewpoints in the field of internal economic policy will approach each other. The will to bridge over these differences is available, and the three countries have decided to speed up the realization of the Economic Union.

Finally, the Netherlands is participating in the five countries pact of Brussels. The collaboration in the economic field of Great Britain, France and Benelux will form a nucleus in Western Europe around which other countries and groups of countries will be able to group themselves.

In this manner the main condition for the extension of Marshall assistance to the 16 countries is to be satisfied. One of the main objectives of economic cooperation is a more intensive exchange of goods and services. The problems arising from this endeavour are largely of a monetary and financial nature. The conception of Western European cooperation is beginning to take root in the minds of the Netherlands population. The honest wish to carry on lively trade relations with the Eastern European countries is present in the Netherlands; many traditional bands of friendship exist with the people of these countries.

one half of the total interpayment traffic between the Netherlands and the Indies.

It must furthermore be taken into consideration that Holland continuously provided credits to the Indies whether for financing production, for financing Government expenditures of the Indies in Holland, or what not.

The providing of credits to the agricultural estates and the industries was mainly effected by the Nederlandse Handel-Maatschappij, the Nederlands-Indische Handelsbank, and the Nederlands-Indische Escompto Maatschappij. These Netherlands banking institutions, which in the Indies attract the available financial resources, apply these in the form of commercial credits, in financing imports and exports or inter-insular shipments, and in productive concerns, in which the financing of estate harvests had a very considerable share. These short credits averaged from f 100 — f 200 million. The amounts so advanced returned regularly from the sale of the various products, and then were again placed at the disposal of similar concerns or else were transmitted to Holland.

During the period 1916 — 1921 the advances made to the Indies by the Netherlands Treasury were as follows (in millions of guilders) 29—34—74—117—258—322. In the subsequent years a large proportion of this floating debt was consolidated, so that it was reduced to f 311 million in 1922 and to f 111 million in 1923.

The considerable surplus left by the Ordinary Service in 1924 made it possible to pay off a part of the advance made by the Netherlands Government out of the means of the Ordinary Service, until this had been reduced to f 2 million. In that year the Government of the Indies transferred f 150 million to Holland through the Java Bank.

Also in the period 1925—1929 practically no floating debts were incurred with the Netherlands Treasury, seeing that the Netherlands Indies Government transferred considerable amounts to the Netherlands, respectively (in millions) f 132, f 152, f 149, f 128, and f 130.

The Great Depression in Indonesia

The great depression which began in 1929 caused the Indies to be faced with serious difficulties. In the period 1930—1934 the deficits of the Ordinary Service of the country's Budget amounted to the very considerable sum of f 535 million, by far the greater proportion of which was financed by advances granted by the Treasury. In view of the fact that the money transfers to the Netherlands Government for a few years had entirely ceased, the amounts due the Treasury in the period 1929—1933 were as follows (in millions of guilders): 8—86—140—227—239, whereupon, through consolidation, conversion, and other means, the debt was reduced to f 118 million in 1934, and to f 130 million in 1935.

A consolidation was effected by the issue of Netherlands Indies State loans 1930—1931, and 1932, at respectively

f 77, f 100, and f 107 million, whilst in 1933 the Netherlands State issued a long term loan to the Indies of f 115 million in order to reduce the floating debt to the Treasury. In this way the short term indebtedness could be reduced by approximately f 400 million.

In the course of 1936 and 1937 the Netherlands Indies Government was able to transfer considerable amounts. In 1938 and 1939, on the other hand, there were again deficits on the Other than Ordinary Service of the Netherlands Indies State Budget, caused mainly by the greater demands for the country's defences in connection with the increasing threat of war. The advances made by the Netherlands, which in June 1938 had been practically redeemed, again began to increase, as will be evident from the subjoined tabulation:—

	In millions of guilders				
	1936	1937	1938	1939	1940
State of Treasury account	75	34	51	73	117
Mutation55	.41	+17	+22	+44
Remittances by the Indies Govt.	153	149	81	114	

The Position after the Outbreak of War in Europe

After the German invasion of the Netherlands, the Netherlands Indies had to face the fact that the exchange traffic with Holland had entirely ceased, through which the greatest support for the Indies had discontinued, so that its requirements, especially as regards short credits, could not any longer be satisfied. This support, however, could still be obtained from capital which, when Holland was threatened by invasion, was transferred to the Indies, and also from resources derived from the existing export surplus, that had accumulated at the banks in large amounts. In normal times these resources would have been remitted to Holland, to cover the Netherlands Indies commitments.

By virtue of the order issued by the Commander-in-Chief of the Army on May 11, 1940, covering the provisional regulation of the foreign exchange traffic of the Netherlands Indies, these capitals and balances came within the reach of the Netherlands Indies Government.

The final regulation of the foreign exchange traffic, which soon was substituted for the order issued by the military commander, was embodied in the Foreign Exchange Ordinance of May 21, 1940 and in the Foreign Exchange Regulation of May 25, 1940, the latter being replaced again by the Regulation of July 4, 1940. By a decree of the Governor General, dated July 15, 1940, all dollars and pounds were requisitioned, as were also all other foreign securities and values after they had been converted into dollars or pounds, and also all gold. Netherlands Indies guilders were given in compensation for these requisitioned items.

Netherlands Indies Guilder and Sterling

After the connections with Holland had been broken off, the Netherlands Indies guilder had to be given an independent rate of exchange, primarily with reference to the pound sterling.

Whereas the Netherlands Indies guilder had a fixed relation to the American dollar on a gold basis (f1.885 = \$1), the value of the pound sterling fluctuated between f 5.50 and f 6. On the other hand, the pound sterling was valued at f 7.60 if its value was derived from the official rate of exchange between the pound sterling and the American dollar.

In order to arrive at an arrangement with the sterling area, the rate

of the pound sterling was provisionally fixed at f 7.60 Netherlands Indies currency, and this rate of exchange was later made definite by the English—Netherlands monetary agreement concluded in London on June 14, 1940. Through this agreement it was arranged that between the Netherlands Indies and England all commercial transactions were to be effected in the currencies of these two countries at the officially fixed rates of exchange, whilst on the other hand no covering was to be asked for the accumulating balances.

Since the export from the Netherlands Indies to the sterling area considerably exceeded that in the opposite direction, the Netherlands Indies could not but accumulate a considerable sterling balance. This accumulating sterling value enabled the Netherlands Indies Government to transmit to London in the period between November 1940 and the end of February 1942 an amount of £1.5 million, and thenceforward regularly every month at least £200,000 to reduce the Netherlands Indies deficit as of May 10, 1940, in the books of the Netherlands Treasury. Including a few additional remittances, f 52 million was paid off (at the f 7.60 rate) in pounds sterling. This pound sterling balance also proved of value in obtaining goods from Australia and British India, whilst by virtue of an arrangement concluded with Singapore, 70%—75% of the Netherlands Indies exports by way of Singapore could be made against settlement in United States dollars. As a result of the gradually increasing shipping difficulties this transit trade via Singapore increased from f 150 million in 1939 to f 300 million in 1941.

Exchange Policy of Java Bank

The dollars so reaching the Netherlands Indies Foreign Exchange Fund were transferred to the Java Bank which bought gold with it whenever it exceeded the fixed supply of roughly \$20 million. Also all banks in the Netherlands Indies, as well as certain large concerns, maintained their own foreign exchange balances abroad, and these were transferred, shortly before the surrender of Java to the Japanese, to the Netherlands Purchasing Commission in the United States. This enabled the Commission, besides liquidating the Governments' assets, to realize the goods purchased for the Netherlands Indies and to advance payments of the banks in favour of the Netherlands Indies importers in the dollar area. In this way also the yield of the sailing Netherlands Indies export cargoes that were gradually arriving in the United States could come into the possession of the Netherlands Purchasing Commission. A considerable proportion of these assets would after the war have to be settled in Netherlands Indies guilders with the rightful claimants.

It was possible to bring to safety the gold present in the Java Bank by shipping it to Australia and South Africa before the arrival of the Japanese in Java. Besides the supply of gold of the Java Bank to a value of roughly \$200 million, the Netherlands Indies assets in foreign exchange at the time of the capitulation to Japan (March 6, 1942) could be put at approximately £15 million and \$385 million, which amounted at the rate of exchange prevailing at the time to a total of Neth. Ind. f 1,214 million.

The amount of \$385 million, referred to included also the value of the stock of goods, mainly military, which was realized only gradually in the course of the years by selling these to the American Government and to other purchasers.

Exchange Position during and after the War

During the years 1940-1942 foreign interests in unoccupied areas, such as England and America, were permitted to transfer their fiscal profits to other countries, and also a proportion of the amounts written off that were not re-invested and for which war bonds were bought, and moreover the office expenditures of such firms as had representatives abroad, principally in the United States, whilst in the period 1942-1945 the securities held abroad by residents of the Netherlands Indies (as defined in the Foreign Exchange Ordinance) who at that time resided in unoccupied territory, were in certain instances given free to their owners.

This moderate foreign exchange control had to be regarded, within the compass of the war effort, as a contribution to the general exertion, and as such was repeatedly commended by English and American authorities.

The result of the discontinuance of the interpayment traffic with the Netherlands, however, was that the funds which the Netherlands Indies Government had at its disposal during and after the war comprised mainly such monies as would in normal times have been remitted to Holland on account of resources obtained from production through disinvestment, profits, office expenditures, harvest financing, interest, and other such items.

It was thus that towards the end of the war the Netherlands Indies still had at its disposal a considerable amount in gold and foreign exchange which, however, since then had to be largely applied towards covering the very considerable deficits on the balance of goods and of services. There was a very great need of imports, whereas the exports, both on account of political conditions and through the greatly reduced production capacity as a result of the serious war damage inflicted, still remained at a very modest level. The political conditions also caused the loss of considerable amounts of foreign exchange that would have resulted from exporting products from Netherlands Indies, through the uncontrolled trade with Singapore and the Malay peninsula. The difficult position of the Indies at this time is very clearly evidenced by the development of its balance of payments, which shows a regularly increasing deficit that could only be covered by using the balances in foreign exchange sedulously nurtured during the war, by applying for credits in Holland and abroad, and to a limited extent also through transactions in gold:-

	In millions of guilders				
	1936	1937	1938	1945/6	1947
Imports	293	508	492	528	697
Exports	540	953	660	113	346
Balance	+247	+455	+168	-415	-351
Services	-133	-222	-277	-270	-364
Surplus or deficit	+144	+223	-109	-685	-715

The difficult position here indicated caused the Netherlands Indies Government to postpone the fulfilment of its old obligations, consisting mainly of deferred remittances to the Netherlands, and some of its new obligations, until the balance of trade would once again present an active balance. This obviously can be the case only after the production apparatus shall be in a more advanced stage of recuperation. Although on account of the very irregular conditions in the Indies it would be impossible to indicate any definite term of recuperation, the Netherlands Indies Government in 1946 nevertheless was convinced that the recuperation of the Netherlands Indies would be a matter of years. This obviously raised the question as to what would be the results of this postponement for those Dutch citizens that had claims upon the Indies or that were dependent upon remittances for their subsistence.

The Government was of the opinion that this would have to be provided for. It also considered that the fact that the Netherlands Indies had not fulfilled its obligations to the Netherlands was a result of the preceding war conditions, so that ways and means had to be found by which its urgent cases could be lifted off the citizens' shoulders.

In addition, the Government considered that certain measures were needed to resume the economic traffic with the Netherlands Indies.

After Japan had capitulated in August 1945 a beginning was made, even though a very modest one, with resuming the interpayment traffic with the Treasury, and after September 1945 also by the credit of f 1 million granted one another by the Netherlands Bank and the Bank of the Netherlands Indies, which agreement in April 1946 was replaced by the credit agreement of f 10 million concluded between the Netherlands Bank and the Java Bank, which credits were guaranteed by both these Governments.

The facilities for the transfer of payments, however, were inadequate.

The goods traffic, which thus far had been taken care of by the Government and which could be adjusted by the Treasury, would have to be led as soon as possible along the normal trade channels again. To this end it had to be possible for money transfers to be effected for the reconstruction of the essential elements of private enterprise and for the resumption of the ordinary trade, such as the import trade, the private banking institutions, the petroleum interests, the shipping

concerns, etc. It had to be made possible also to transmit freight and insurance premiums, relief funds, overdue salaries, and pensions of employees of business firms in the Netherlands Indies.

Since, as has been stated, the Netherlands Indies was not in a position to provide the means for such transfers, the Government decided to create an opportunity for the transfer of guilders for the most necessary purposes by granting credits.

There were several ways in which such credits could be supplied but the one which went by way of the Treasury was the most preferable in view of the fact that the resources of the central banks would be too greatly strained if the supplying of credits, involving as it did very large amounts, were to go through these institutions. One may not, however, lose sight of the fact that the Treasury in this respect constitutes but a temporary intermediary.

Necessity for Continuation of Revenue from Indonesia

Had the political conditions in the Netherlands Indies not been an impediment, the investing public and the commercial and industrial concerns in Holland that had been active also in the Indies and had interests there, would have been prepared at a much earlier stage after the liberation to place at the disposal of the Indies considerable capital required for the recovery of the economic life in this country. But since this willingness did not manifest itself, the Government was forced to proceed with measures that might lead to the maintenance of economic relations with the Indies. For it was due to this fact that in the past—as has become apparent from statistical investigations—the incomes in Holland that were directly and indirectly the outcome of the economic relations with the Indies, amounted in 1938 to roughly f 680 million, or to about 13% of the total national income over that year. It need not be emphasized to what extent the retention and the recovery of this source of income would affect the economic recovery of the Netherlands. The share of the Indies in the Netherlands balance of payments will be evident from the following tabulation:—

Balance of Payments of the Netherlands
(in millions of guilders)

Debits (—)	1937		1938		1937		1938	
	Total	of which the N.I.	Total	of which the N.I.	The N. Indies in % of the total			
Imports of goods	1661	126	1466	102	8		7	
Services	189	—	218	15	—		7	
Gold imports	1671	12	780	25	—		3	
Export of capital	1393	41	1133	19	3		2	
Exports of goods	1213	179	3597	161	4		4	
	4864	94	1086	100	8		0	
Credits (+)								
Services	650	239	645	268	35		42	
Gold exports	928	25	1027	6	3		1	
Imported capital	1611	145	1009	47	9		5	
	4402	503	3767	421	11		11	

The significance of the Indies for the Netherlands balance of payments is not so much apparent from the share of the Indies in the total debit and credit items (although this is not by any means unimportant) as from the fact that the Indies, within the scope of the Netherlands interpayment traffic with other countries, made a very considerable contribution thereto. It must be remembered that the deficit of the Netherlands balance of trade, having been for 1937 f 398 million, and for 1938 f 380 million, was very largely covered by the surplus of the Netherlands Indies' share in the Netherlands balance of payment which for 1937 amounted to f 324 million, and for 1938 to f 260 million. From this it is to be deduced that the revenues from the Indies before the war were of very considerable significance for the Netherlands balance of payment, and that the discontinuance of this income during and after the war has greatly contributed to the repeated

IMPORTS AND EXPORTS OF THE NETHERLANDS INDIES IN MAY, 1948

	Imports		Exports	
	1,000 million tons	1,000 million guilders	1,000 million tons	1,000 million guilders
January	310	111	336	45.4
February	102	64	289	61.9
March	164	123	333	66.1
April	107	64.5	386	71.4
May	166	78	473	87

The chief imports were:—

	April	May
	million guilders	million guilders
Foodstuffs	19	27
Textiles	16	14
Machines, etc.	11	11

The chief exports were:—

	April	May
	1,000 million tons	1,000 million tons
	1,000 million guilders	1,000 million guilders
Rubber	16.5	15
Petroleum & Petroleum-products	285	18
Copra	19	10
Tin ore	4.3	13
Tea	0.3	0.7
Cinchona	0.2	0.2
Rattan	1.8	1
Kapok	0.2	0.3
Sugar	5.2	1.8

The principal countries of origin were:—

	April	May
	(million guilders)	(million guilders)
Netherlands	15.4	21.3
United States of America	17.4	20
Japan	8	7.2
Great Britain	4.5	4.5
Burma	1.5	4.6
Siam	3.2	3.3
Singapore	1.8	2.4

The principal countries of destination were:—

	April	May
	(million guilders)	(million guilders)
Netherlands	31	38
Singapore	15	15
United States of America	13	10
Japan	1.5	5
Hongkong	2	1.9
Sweden	0.1	1.7
Great Britain	1.2	0.7

INDEX NUMBERS OF WHOLESALE AND RETAIL PRICES IN THE NETHERLANDS INDIES

Wholesale Prices (1938: 100)

	Average 1947	Average 1st quarter 1948
Index number of 7 export products (unweighted) ..	468	530
General	661	722
Textile goods	853	1,018
Foodstuffs	698	709
Metals	599	616
Chemicals & colours ..	628	691
Miscellaneous	528	575

Retail Prices (1938: 100)

	Average 1947	Average 1st quarter 1948	Average April 1948
Index number of 19 foodstuffs on the free market:			
Batavia	2,351	1,664	1,256
Makassar ..	1,682	1,423	1,273
Index number of rice on the free market:			
Batavia	3,211	1,759	741
Makassar ..	1,861	1,256	1,195

EXPORT DUTIES ON RECENTLY PRODUCED TEA AND SUGAR

The temporary export duty on tea produced after January 1, 1947 has been fixed by a Decree of the Lieutenant Governor-General at 5% ad valorem. This means that as from 3 July an export duty of 6¼ cents will be levied on every ½ kilogram of leaf tea and of 5 cents on every ½ kilogram of dust tea. These export duties are valid for the third quarter of this year. To date the export duties amounted to, respectively, 25 cents and 20 cents a ½ kilogram.

deficits on the Netherlands balance of payments, so that it became necessary to liquidate foreign investments and to contract loans abroad. In this connection we may draw attention to the fact that a discontinuance of the revenues from the Indies would result in a considerable and permanent reduction of the general level of prosperity in Holland. In granting credits to the Netherlands Indies the Netherlands Government originally started from the principle that this task would be taken over by private investors and business enterprises. But this will become possible only when the political difficulties now besetting the Indies shall have been solved. At first it was thought that this would be soon, but the developments ever since the signing of the basic agreement of Lingardjati have caused delays, so that the Government had to take direct action.

For sugar harvested during 1948 or ensuing years, the export duty will be 5% ad valorem, with the understanding that 10% will be levied on that portion of the value that is in excess of Fls. 25 per 100 kilograms.

EXPORTS OF JAVA TEA IN MAY, 1948

Exports of tea in May amounted to over 9,000,000 kilograms to the value of Fls. 2,260,000. This tea originated from Java and was shipped mainly to the Netherlands (695,000 kg. value Fls. 2,086,000), the United States (76,000 kg., value Fls. 216,000) and Egypt (44,000 kg., value Fls. 106,000). The tea was shipped to eleven countries in all.

IMPORTS AND EXPORTS OF SOUTH BORNEO IN APRIL, 1948

In South Borneo, as in other parts of the East Indian Archipelago, prices of several articles showed a downward tendency in April 1948. At Bandjermasin the prices of all grades of rice declined, while the sugar price fell by 30 per cent owing to larger supplies. A considerable fall was likewise recorded in wholesale prices of fish.

Exports to foreign markets in April amounted to Fls. 3.3 million (March Fls. 2.5 million) with rubber occupying the first place at 3,400 tons worth Fls. 3 million. The export trade with other parts of the Netherlands Indies presented the following picture: exports Fls. 4¼ million (March Fls. 3 million), imports Fls. 7.8 million (March Fls. 11 million).

The total trade yielded an export surplus of Fls. 162,000.

THE ECONOMIC SITUATION ON BANKA AND BILLITON

Favourable developments in the economic sphere could be registered in May on Banka and Billiton islands. There was a general price decline of about 10 per cent. As a result of the increased supplies of rice, the whole of the population could be included in the rationing scheme. The cultivation of greens and fruit by the population underwent considerable expansion. The number of pepper vines rose from 342,000, in April, to 372,000, in May, and the harvesting of pepper could be started, the yield in May being 60 tons of white pepper. Timber and charcoal production also increased, and the fish catch, at 81,400 lbs. was the same as the previous month.

On Banka in May there were 32 (April, 33) mines and 7, (April 7) dredgers in operation. The figures for Billiton were 17 suction and 14 other dredgers. Tin production on Banka amounted to 15,667 quintals (April, 12,860 quintals) and Billiton produced 9,255 quintals (April, 9,630 quintals).

1949: BEGINNING OF OIL PRODUCTION IN NEW GUINEA

It is announced that early in 1949 oil production will begin in the Vogelkop area in New Guinea.

EXAMINATION OF THE SOIL OF INDONESIA WITH A VIEW TO GROUNDNUT CULTIVATION

Throughout Indonesia exploration is being carried on in search of land suitable for growing groundnuts. The first results of this exploration have been published. In the island of Flores 8,000 hectares of suitable land have been found, in the island of Timor 10,000 hectares, whereas the nature of the soil in South Borneo proved to be unsuitable for the cultivation of groundnuts. Exploration is continued in the territory of Kendari in South Celebes.

OIL AND PARAFFIN PRODUCTION IN THE PALEMBANG AREA

In May the Standard Vacuum Oil Company in the Palembang area attained its pre-war level of production of fuel oil, namely, 45,000 barrels a day. The company intends to raise the output to 80,000 barrels a day. The paraffin factory is working again, and early in June the first shipments went to Australia, South Africa and to inland destinations. Before the end of 1948 over 20,000 tons of paraffin will have to be shipped.

ALLOTMENT OF JAPANESE MACHINES TO THE NETHERLANDS INDIES

Of the approximately 20,000 machine-tools that were in operation in the Netherlands Indies before the war more than 50 per cent were destroyed or carried off. To a small extent the need for these machines, which cannot be met by purchases on foreign markets, will be supplied from Japan.

Lathes, drilling and milling machines have already been allotted to the Netherlands Indies. Some 1,600 to the value of from 8 to 10 million guilders have arrived; another shipment, consisting of instruments, was received about the middle of May. As regards future consignments it was at first thought that these would aggregate between 10,000 and 18,000 machines but it is now expected that they will not exceed 4,000 in number. The allotment is based on information supplied by the manufacturers themselves regarding their losses of equipment.

ECONOMIC SITUATION IN SOUTH BORNEO

The food situation in South Borneo was, on the whole, favourable in March. The population is paying a good deal of attention to the growing of cassava, for which there is a brisk demand.

The production and collection of native rubber are on the increase, some 3,100 tons of sheet being estimated to be collected in March. In Hoeloe Soengei purchases of native rubber in March amounted to nearly 2,500 tons of sheet rubber (against 1,736 tons in the preceding month).

In South Borneo there are now 2 remilling plants in operation with a joint capacity of 7,000 tons per year.

The price of factory-made coconut oil fell from fls. 2.25 per beer bottle early in February to fls. 1.40 towards the end of March. At the same dates native coconut oil fetched fls. 2.50 and fls. 2.25 per beer bottle respectively.

In February and March 1948 more than 2½ million guilders' worth of goods were exported, chief among these being rubber to the value of over 2.3 million guilders (90 per cent native rubber). Interregional exports totalled a value of 2.3 million guilders in February and 2.8 millions in March. Imports from abroad were worth nearly fls. 28,000 in February and nearly fls. 94,000 in March. Inter-insular imports attained a value of 5.2 million guilders in February and 11 millions in March.

The principal imports were textiles, cigarettes and petroleum products.

SUMATRA DEVELOPMENTS

Sumatra's East Coast District is the scene of great activity in the agricultural industries and in smallholders' agriculture.

Production figures for the estate industries show a further increase:—

<i>Rubber—metric tons</i>	
Jan. '48—1,724	
May '48—3,843 (86 estates)	
June '48—4,363 (99 estates)	
<i>Tea—metric tons</i>	
Jan. '48—27.5	
May '48—55.5 (4 estates)	
June '48—61 (10 estates)	
<i>Fibres—metric tons</i>	
Jan. '48—225	
May '48—499 (16 estates)	
June '48—486 (18 estates)	
<i>Palm oil—milling tons</i>	
Jan. '48—846	
May '48—3,742 (16 estates)	
June '48—3,976 (18 estates)	
<i>Palm Kernels—metric tons</i>	
Jan. '48—260	
May '48—370 (16 estates)	
June '48—980 (18 estates)	

The supplies of rehabilitation materials now coming forward, are far from adequate and various rubber estates have to deliver products that are not up to standard.

Processing materials supplied to non-estate growers since June 1st: 26 metr. tons of acetic acid; 40,000 cups; 66,000 spouts; 1,300 coagulation dishes; 850 tapping knives; pails, presses, and big knives.

Exports of sheets had preference over exports of blankets. Non-estate rubber exports added up to 1,101 tons in June (total for first half 1948 — 5,350 tons).

Overall exports from the port of Belawan over June: rubber 4,658 tons; palm oil 6,025 tons; kernels 1,372 tons; sisal 881 tons.

The Deli Railway Coy's passenger traffic during the first half of 1948 added up to 899,000 travellers; goods traffic totalled 5,382 tons. The number of workers rose from 72,400 in Jan. '48 to 129,500.

COMMUNISM IN THE FAR EAST

China

China is the scene of the most remarkable of all Communist advances. Russia learned her lesson in the failure of Borodin's diplomacy after the last war, and the programme which was outlined in Mao Tze Tung's *New Democracy* was carefully designed to suit the special needs of China. Competent and non-Communist Western observers, who have spent years in the Communist areas of Northern China, agree that almost for the first time in history the Chinese were honestly governed, that land reform had immensely benefited the peasant, and that the regime, though necessarily tough, was efficient and genuinely progressive. To-day China has entered upon a new phase of Communism. Manchuria must now be reckoned as effectively part of the Soviet sphere. Chinese Communist armies, overpowering the half-hearted and underfed levies of Chiang Kai-shek, are now in occupation of about one-third of the rest of China. It is here that General Marshall learned his lesson about Communism. He discovered that it was a movement of the people, spreading because the ludicrous inefficiency and fantastic corruption of the present Chinese Government made any alternative attractive. American money and arms do not make successful armies out of unwilling troops. Little information reaches the outside world about the newly conquered Communist areas of China. Formerly the Communist area was blockaded; in comparatively stable conditions it developed on its own, Chinese, lines. Now that the Communist armies are advancing and fighting for their lives, reports suggests, as we should expect, that they are more ruthless in suppressing opposition and making a far more drastic division between richer peasants, who will not accept Communism and poor peasants, who can be won over. No one can estimate how far they have retained their popularity with the mass of the population.

Malaya

It will be in China that the future of Communism in Asia is decided. The Americans may embark on the expensive and precarious task of bolstering up a Chiang Kai-shek regime in Southern China. At present they are uneasily aware that any such attempt is merely to throw dollars down a bottomless rat-hole. They are uneasily aware, too, that the Chinese are not all in China. The Communist-Kuomintang struggle is also fought in Malaya, where the Chinese are the largest community; it even overlaps spasmodically into Siam, which is suffering from an influx of Chinese capitalists on the one hand, and an infiltration of Chinese coolies on the other. The situation in Malaya is probably more complex than in any other part of the East. It has been mishandled by the British since the war; it would in any case have been difficult. There was no Resistance group to whom Britain could

pass over power as she could in Burma. There are three races concerned: the Tamils, mainly in the mines; the Chinese, who form the bulk of the population of Singapore and are a large minority in the rest of the country; and the Malays themselves, who have very little say in their own country and tend to remain loyal to their Sultans who rule by favour of the British. The problem of Malaya is only in small part Communist-made. It is rapidly becoming an issue between British capitalism and Chinese nationalism, which is in itself partly Communist and partly capitalist.

Burma

In Burma, whatever the results, the British have begun by acting rightly. It was a disaster that General Aung San, the national hero, and his Cabinet should have been almost wiped out by a single blow. Thakin Nu, who took Aung San's place, is universally respected. No man has a clearer conception of his duty. His desire, as the leading member of the Thakin movement, was to build an independent, Socialist Burma; he intends to resign in July, and to devote himself for the next six months to the organisation of AFPFL, the predominantly Socialist Resistance organisation which shed its Communist element in November, 1946. His policy in international affairs is to maintain the best relations he can with all the Great Powers, and in the domestic sphere to reconstruct devastated Burma. There is no considerable opposition in the country to his Socialist programme. The Burmese Resistance movement, like the others of South-East Asia, aimed from the first at getting rid of Imperialist rule, and therefore began by showing sympathy towards the invading Japanese. When the true character of Japanese Imperialism became clear, it readily switched to the British side on the honourable understanding that victory would be followed by national independence.

Thakin Nu's object was to maintain national unity; to hold together Communists, Socialists and many of no pronounced affiliation. He was forced from the beginning into a military struggle with the so-called Red Flag Communists (the Communist Party of Burma, led by Thakin Soe) in Arakan. He has done his best to avoid a political struggle with the White Flag Communists (Burma Communist Party led by Thakin Tun) in Central Burma, and at one time seemed likely to achieve a measure of success in inducing a section of them to return to AFPFL. A Communist rising, however, in Central Burma has compelled him, as a similar tendency has compelled Nehru in India, to arrest a large number of Communists and to come into the open as their opponent. Far the strongest card in the hands of the Communists is the attitude taken by some important British business concerns. The Burmese Government has made it clear throughout that they are willing to pay reasonable compensation

for British industries that are nationalised; and, if extravagant and obviously hostile claims are withdrawn, a fair agreement may still be reached between the British and the Burmese, the present excellent relations between the two countries maintained, and the Socialist Government of Burma provided with an effective answer to Communist propaganda.

Indo-china, Indonesia

The cases of Indonesia and Indo-China rub in the lesson for the West. The national movement of Indo-China was not Communist at its inception, though it contained Communists among its leaders. Ho Chi Minh and several of his colleagues are Communists, and the hold they have upon the population is shown by the failure of the French to obtain popular acceptance for any of their suggested puppets. Of all the wars now proceeding in the world, the French war in Indo-China is perhaps the least justified and the least intelligent.

Similarly, in Indonesia, the Dutch could have made, if they had been willing, a common-sense, lucrative and satisfactory agreement. The British, who were in charge of the country when the war ended, did their best to persuade the Dutch to accept a fair settlement. The settlement that was at length achieved after unnecessary slaughter and destruction is far from satisfactory and probably temporary. The Conference at Kaijoerang between the Dutch and Indonesian Republicans under Uno auspices has now been broken off by the Duach. In Indonesia the nationalist movement is no mushroom growth; Dr. Sjarir and Dr. Soekarno, for long its moving spirits, are neither of them Communists. The attitude of Holland can only be explained by Dutch fear of losing their immense Indonesian assets, on which indeed their high standard of living largely depends. Sooner or later they must learn to co-operate on equal terms with the Indonesians unless they wish the Indonesian movement to become Communist, with the probable result that they will lose all they possess. In these days of acute shortage, it has been a tragedy that the immense food reserves of Indonesia have been withheld.

Soviet's Role

Such a bird's-eye view of Communism in Asia shows two things. Throughout the Far East there is a revolt, supported by all classes and political parties, against their pre-war colonial status. In every case this nationalist movement has been accompanied by an overwhelming demand for economic and social change. This is a situation which Moscow is naturally ready to exploit. It supports nationalist rejection of foreign imperialism and the demands of workers and peasants for a fair deal. There is no direct evidence of the existence of an Eastern Cominform. But Russia has now heavily staffed embassies in Bangkok, Rangoon and elsewhere, and we may assume concerted Communist policy. This does not mean that Rus-

JAPANESE INDUSTRIAL REPORTS

SURVEY OF PRODUCTION FOR THE FIRST THREE MONTHS OF 1948

Industrial output which had been extremely depressed since last mid-summer, recovered an upward trend after December. The index of production of E.S.B. (Economic Stabilisation Board of Japan) (1934-35=100) advanced to 59.4 in December, 45.6 in January, 48.2 in February and 52.2 in March, from 40.3 in November. Out of 128 leading commodities 71 registered an increase, whilst 28 declined in March. Most basic producers' goods, such as coal, iron and steel, cement and chemical fertilizers showed a remarkable revival, followed by important consumers' goods such as textile goods, paper, pulp, etc., although the production of the latter remained irregular; by industries, the production of coal in March amounted to 2,862,000 tons, a 3.9% increase compared with the previous month, and that of electricity showed an advance of 22.1%.

The iron and steel industry developed favourably, output of pig iron and ordinary rolled steel products being 33,121 tons and 70,884 tons, larger than the planned volume. The machinery and chemical industry showed a favourable trend, though several decreased moderately. In the textile industry, output of almost all commodities since February developed favourably, particularly in rayon filament. This favourable development was mainly due to the improvement in thermal power and larger allotment of power to industries.

An official plan for the supply and demand of key products during the first quarter (April-June) was decided at a Cabinet meeting. The production plan of staple commodities may be summarized as follows:

1) Iron and steel:—Output of ordinary pig iron to be larger by 181,000 tons or 97% and that of rolled steel greater by 226,000 tons than the previous quarter.

2) Fertilizer:—Production of sulphate of ammonia to be increased by

259,000 tons or 65%, and that of calcium cyanamide greater by 80,000 tons, by means of larger allotments of coal and electric power.

3) Textiles:—Output of cotton yarn and rayon filament yarn are to be increased by 29% compared with the previous quarter.

4) Other commodities:—Almost all commodities show larger production, through the prospective imports of materials and increase in power supply.

COAL

Coal production continued favourable, figures in March amounting to 2,859,000 tons, almost the same level as in December, although the actual volume did not reach the expected figure. The annual goal of 30,000,000 tons may nearly be achieved as a result of the remarkable advance after October 1947. This favourable development in coal mining was mainly due to measures for the increase of production through the encouragement of special research parties organized by E.S.B. A decline in the quality of coal was, however, unavoidable.

Labour disputes which lasted from January were settled on April 8th by an agreement between the Coal Miners' Union and the Coal Mining Federation on the following conditions; for coal miners (1) a standard wage of 160 yen per day for surface miners and 290 yen for underground miners shall be allowed for the coming six months from April 1st, (2) the standard output of coal shall be fixed at 5.75 tons per head, monthly average, and (3) a subsidy amounting to 100 yen per month shall be paid to miners as wages for every advance of labour efficiency by 2%.

The advance of wages will bring about a revision of official prices which is expected to be realized after June.

Various measures to achieve the annual goal of 36,000,000 tons are under investigation. The financial accommodation plan was decided on the principle of selective emphasis in the enlargement of existing equipment in coal mines. The total amount to be applied for equipment is 6.18 billion of which 520 million will be advanced for the exploitation of new coal mines. By the above plan, the allocation of materials will increase compared with the previous year. However, in order to prove the effect of the larger allotment, it will be necessary to deliver necessary materials to mines according to circumstances.

Active measures are being devised to check labour disputes. The prin-

cipal points are (1) a 9 hours working system will be enforced under the condition that labour efficiency is increased in the coming year, (2) disputes regarding personnel will be prohibited, (3) a closed shop system will also be forbidden, (4) strikes by districts will be restricted to some extent. It is, however, doubtful whether these measures can be carried out.

ELECTRIC POWER

The power situation did not yet show any sign of recovery. Power generation showed a tendency to decrease, the total output in February being only 2,225 million kw.h. Thermal power output continued to increase owing to a preferential allocation of coal to the electric power industry, reaching 293 million kw.h., whilst hydro-power production decreased from 1,968 million to 1,931 million.

However, the actual allotment of power to key industries showed some increase due to severe restriction of consumption for non-industrial use. A favourable development of the power situation is expected after April due to seasonal influences. On the other hand, effective measures will be taken to supplement the shortage of electric power in the dry season. Power generation capacity will be advanced in the current fiscal year by 400,000 kw. for thermal power and 150,000 kw. for hydro-power through the repairs of damaged equipment.

IRON AND STEEL

Iron and steel production which previously had shown a decline due to a shortage of electric power, again became active since the beginning of this year, far exceeding the expected volume. Output of ordinary pig iron and rolled steel registered a post-war peak.

Production of ordinary pig iron reached more than 30,000 tons in March. A further advance is expected in view of the reopening of three smelting furnaces from April. Output of open-hearth steel ingots witnessed a remarkable increase in January, exceeding 60,000 tons against a monthly average after October of last year of 50,000 tons. Despite this remarkable advance of open-hearth ingot production, total production of steel ingots did not reach the target of 90,000 tons owing to the smaller output of electric furnace ingots brought about by continued restriction of power consumption. Ordinary rolled steel production which remained at the level of only 40,000 to 50,000 tons from April last year to January, increased sharply, totalling about 60,000 tons in February and more than 70,000 tons in March. This favourable development was

sian agents swarm over the Far East. It means that Communist propaganda makes successful play with the past sins of Western Imperialism. It has the advantage of being a disembodied voice. Russia still seems a long way off in South-East Asia. It can promote Communism without appearing to threaten nationalism or coming into collision with those deeply entrenched religious beliefs, whose influence is still the most powerful force in these ancient civilisations. It offers, by wireless, faith and hope, while the West, still represented by business men on the spot, too often gives the impression of thinking only in terms of dollars and domination.—*The New Statesman and Nation*.

mainly due to the larger output of five big iron works, particularly Nihon Seitetsu, Nihon Kokan and Kobe Seiko.

Iron and steel production for the fiscal year 1948-49 was mapped out on the prospective imports of materials, such as iron ore, coal and heavy oil. According to this plan, output of ordinary pig iron is expected to be about 2 times larger than in the previous year. This also involves an increase in chemicals, such as dyestuffs and medicines as by-products. Moreover, the productive process of rolled steel, etc. will be rationalized so as to produce high-quality steel. Output of electric pig iron is estimated to decline compared with the previous year. Out of total production of pig iron, 585,000 tons will be allocated for steel manufacturing, and consequently, a shortage of pig iron may be avoided. An increase in output of pig iron appears necessary in order to cover the reduced supply of scrap iron. Production of electric furnace ingots is expected to remain almost unchanged compared with the previous year. Under these circumstances, production of open-hearth ingots is planned at 1,300,000 tons, in order to attain the goal of rolled steel of 1,000,000 tons. Imports of material must be realized in order to attain this production goal. Steel bars, steel plates and shaped steel are estimated to produce 56.7% of the total of rolled steel, and stress is laid on the output of sheet bars. Output of silicon sheet is fixed at 30,000 tons and rails at 91,000 tons to meet the active demand to some extent.

In order to attain the annual plan above-mentioned, imports of high-grade manganese ore and materials for furnace beds of good quality must be realized, and, at the same time, the collection of scrap iron must be strengthened.

TEXTILE INDUSTRY

Textile industry developed rather favourably, production in February showing an increase of 13.9% in yarn and 19.3% in tissues in comparison with the previous month. Production of cotton and woollen yarn reached 60% of the planned volume in the fourth quarter of the fiscal year 1947/8 (Jan.-Mar. '48), whilst rayon filament yarn and rayon staple attained only 50% of the plan, despite a marked advance compared with January.

The recent favourable development was mainly due to (1) the increase of actual working hours; (2) the improvement of the electric power supply; (3) an increase of yarn supply to tissue manufacturers. The Economic Stabilization Board fixed the production plan during the first quarter of the current fiscal year 1948/9 (April-June, '48) at 124,385,000 pounds. Cotton and woollen yarn are expected to increase by 40% in comparison with the previous quarter, and rayon fila-

ment yarn by 14%. Rayon staple will decrease by 30%.

In order to improve the distribution of clothing for domestic use, the Ministry of Commerce and Industry enforced the allocation of specified textile materials to manufacturers conditional upon the delivery of manufactures. Distribution of domestic clothing per person during the present fiscal year is estimated at 1.04 pounds, a decrease of 0.76 pound compared with the previous year. A ration of 2 pounds per person is now under consideration.

According to the Strike report, the supply of raw materials for domestic consumption is estimated at 1,000 million pounds in 1958, including 620 million pounds of chemical fibre. This amount will give no less than 10 pounds of clothing per person (including industrial consumption), even considering the population increase. (Domestic consumption per person was 16.2 lbs. including 12.2 lbs. of clothing in 1937).

Cotton goods:—

Production during February reached 22,106,000 pounds in yarn and 65,714,000 sq. yards in tissues, both exceeding the output of the previous month. Main causes of such increase are considered as follows; (1) imports of 50,000 bales of Q. M. cotton was decided, following the accomplishment of second imports of CCC II cotton; (2) the temporary decline of production efficiency due to the changes of kind to meet foreign demand was recovered. Spindle capacity installed at the end of February amounted to 3,062,160 spindles (an increase of 31,172 spindles compared with the previous month), workable spindles to 2,963,032 (44,732 increase) and average working spindles per month reached 2,102,536 (operation rate was 71%, or 8% increase compared with January). However, the present capacity is 95.6% of the rehabilitation plan and 74% of the final goal of 4 million spindles (September, 1949). The progress of the rehabilitation of facilities has recently become slow due to a lack of funds and the enforcement of the Elimination of Excessive Concentration of Economic Power Law.

Stocks of raw cotton, at the end of March totalled 338,277 bales, which will be exhausted by the middle of August, if the present production plan continues. Curtailment of production will be inevitable after April or May, in view of the time-lag between purchase and arrival of fresh import.

Silk:—

The cocoon crop in 1947, totalled 14,260,000 kwan, a decline of 21.7% compared with the previous year, 11.4 million kwan or 80% of the total crop are expected to be the cocoon delivery but it is only 76% of materials required for production of goal of 140,000 bales of raw silk for 1948, under the revised 5 years plan.

Foreign demand for raw silk showed a remarkable increase since January, amounting to 11,301 bales during the period from January to March, (17,237 bales in 1947). Total exports of raw silk are, therefore, estimated to reach 50,000 bales this year. More-over 110,000 bales of raw silk are needed to manufacture 60 million yards of "Habutae" already ordered, and 80,000 bales will be necessary for domestic consumption, (65,000 bales in 1947). Thus the total demand for raw silk will reach 240,000 bales. The supply can just meet the demand, on account of 126,000 bales carried over from the previous year.

* * * *

INDUSTRIES OF NAGOYA

As one of the leading industrial and commercial cities of Japan, Nagoya was next to Osaka before the War. Besides being a prosperous industrial city, Nagoya had made great progress in foreign trade with its improved harbour.

It ranked as the fourth trading port in Japan, with the amount of export of Yen 147,909,000 and import of Yen 148,328,000 in 1937. Among the export list, porcelain and earthenware ranked top, followed by cotton textiles, spinning and weaving machines, toys and veneer, etc. Among the imports, wool was predominant; poultry food, bean-cakes, pulp for artificial silk, lumber and raw cotton followed close together.

Pottery Industry

Nagoya has for many centuries been famous for this industry, and more than one half of the total output of Japan was manufactured in this district. Most of the products were exported to oriental countries and 70,000 sets of superior porcelain such as dinner sets, tea sets and so on were exported to U.S.A. annually.

The production of approximately 200 million Yen worth of porcelain for U.S.A., Dutch East Indies, Hongkong and Australia were permitted by SCAP this year. High class dinner sets, tea sets, bone china, sanitary, lavatory, earthenware, tile, etc. are the major items of this production. The brightest prospect is foreseen owing to the slight damage on the pottery plants during war time.

Textile Industry

Nagoya had been called "Manchester of Japan". In fact, 23% of cotton textiles and over 65% of woollen textiles of the whole amount of production in Japan were produced in Nagoya and its vicinity in 1937. Knitted goods, stockings etc. are the chief export goods in this line. About one third of the pre-war textile factories have been restored and are now under operation. If sufficient materials are supplied, the textile industry will make great progress.

Engineering Industry

Weaving machines, machineries, electric cars, bicycles and other vehicles had made Nagoya the center of their manufacture in Japan before the war.

Motor-cars, bicycles and their parts and accessories are produced by several metal industry works which were left undamaged, however, owing to the damage suffered by other factories and utter shortage of necessary materials and equipments, their production was reduced and can meet only domestic demand. According to the export plan of this year, 42,200 bicycles are to be produced in Nagoya, most of which are for the Far Eastern countries.

Veneer Industry

Veneer is one of the important exports of Nagoya. At present 18 veneer factories out of 27 are under operation and have the capacity of veneering 60,000,000 square feet a year. When lumber from South Sea Islands and glue (casein) from Australia are permitted for import, the veneer industry will develop in future.

Miscellaneous Industries

Nagoya is noted for various manufactured articles, such as fans, paper parasols, toys, clocks and musical instruments etc. The amount of these articles to be exported this year is estimated at several hundred billions of Yen.

TOYS:—About Yen 100,000 of toys were handled last year but wooden toys are not yet permitted. Several samples of wooden and bamboo toys were sent to America, and many inquiries came from American firms. They will soon gain worldwide reputation.

LACQUERWARE:—About 80% of this product was exported before the war. Considerable amounts of samples have already been sent abroad, and if lacquer is easily obtained, this will be a promising trade.

CLOCKS:—Nagoya was called "The kingdom of clock production of Japan," as it produced 2,000,000 clocks which indicated 90% of whole production of Japan. At present, nearly 30 clock manufacturing companies are at work, making alarm-clock, wall-clock and watches, however the production is less than one half of pre-war. This is due to the scarcity of materials and instability of prices. When Japan is allowed to take part in the markets of the Orient, large demand is expected.

MUSICAL INSTRUMENTS:—About 80% of output of musical instruments of Japan were manufactured in Nagoya. After the war, 6,000 bows, 500 violins, 1,150 guitars, mandolins and harmonicas covering Yen 2,500,000 in total, were produced this year.

GOLDFISH:—91,000 goldfish were exported to America in 1937. During the war, the Japanese bred carp instead of goldfish, but after the restoration of peace, they are keen to get excellent species of goldfish. The luxuriant and unique goldfish will this year make their debut on the American market.

PRODUCTION AND EXPORTS OF JAPANESE TEXTILE MACHINERY

The export programme for 1948 of textile machinery provides for 145,000 spindles for cotton and 10,000 looms both for cotton and silk. Cost per spindle ex factory is Yen 6,000, thus the total value of the spindles for 1948 should be around 870 million yen. The loom price for silk weaving is officially quoted at Yen 43,000 but on the black market one loom fetches about 70,000 yen; the automatic looms are officially quoted at Yen 53,000 (against a black market price of Yen 80,000). Taking on the average a price of Yen 50,000 per loom unit the export value for 1948 should be around Yen 500 million, and thus the aggregate value of spindles and looms for the current year should bring about Yen 1,370 million.

The Japanese export programme is developed and expanded together with the domestic rehabilitation plan which calls for the restoration of the cotton industry to a 4 million spindle level, or one third of the pre-war capacity. Since the number of workable spindles as of the end of March this year was estimated at 3,100,000, restoration of 900,000 spinning machines must be accomplished. However, the goal for this year is set at 500,000 of which 90,000 are to be new and the rest made up by repairs. Easily reparable spindles are already in operation, so the remaining repairs may be regarded as almost equalling new installation.

The 145,000 spindles for export are mostly destined for India whose current spinning capacity is said to be some 15 million spindles, already surpassing in size Japan's pre-war plant. However, India's machine industry has not undergone a similar expansion, so further orders for textile machinery may be expected for some time in the future.

The rayon staple spinning capacity as of January this year was 260,000 spindles. The reconstruction goal is set at 500,000 spindles of which 100,000 are slated for installation during the current year; 60,000 spindles will be new, while the remainder will be reconditioned machines.

The present production capacity in cotton and rayon staple spindles is 750,000 units per year. But because of the limitations imposed by material shortages, the output for the current fiscal year is expected to be 500,000 cotton spindles, in addition to the 145,000 earmarked for export, and 100,000 rayon staple machines, bringing up the total to 745,000 units.

The production goals set for woolen carding machines and worsted spindles are 815 sets and 730,000 spindles respectively. The former are expected to be completed by the end of June, and 50,000 out of the projected spindles will be reconstructed through reconditioning of old equipment. This reconditioning is so extensive that it almost amounts to new installation.

Ordinary knitting frames now in place have already reached the projected goal. Plans are under way to restore warp knitting frames to 1,150

units, and about 300 units will be completed within 1948.

Silk and rayon looms now in existence number 123,694, and by increasing this quantity by some 10,000 units, during 1948, attainment of the rehabilitation goal is expected.

Cotton looms, now 157,580 units, should increase by 10,000 during 1948; but according to a Ministry of Commerce and Industry survey, the current output of this type of machinery is more than 2,000 units per month. Moreover, exports of silk and cotton looms are, as above-mentioned, set at 10,000 units in all.

Cotton Loom Production

	Month	Units.
1946:	July	522
	December	20
1947:	January	343
	February	1,133
	March	913
	April	1,093
	August	2,229
	September	2,234
	October	2,400
	November	2,404
	December	2,332
1948:	January	2,739
	February	2,750

Besides the above, fish-net looms and silk twisting frames are being manufactured. The former is promising in view of the rehabilitation of Japan's marine industry, while the latter equipment is needed to keep up with the overseas demand for twisted silk yarn which is tending to replace raw silk yarn. The expected installation of spindles in 1948 is set at 327,521 units.

The above is the outline of the 1948 program for textile machinery production and export. The main obstacles are the shortages in both funds and materials; and the government allocations to the industry for this year are 18,000 tons of steel and 20,000 tons of pig iron.

At peak production in pre-war days the output of 1 million spindles per year was attained, with the manufacturers consuming an estimated 20,000 tons of steel during one quarter year. Even at present the quarter year demand runs into 12 or 13 thousand tons; and the fact remains that the current allocation is less than one quarter of the peak consumption in pre-war days.

As for funds, it was usual for the customer to make a down payment with the order, but with the present money shortage among the textile operators, the machinery manufacturers are also feeling the pinch.

The yen-dollar conversion rate for export textile machinery is currently 200 to 1; the basis for this rate being a price arrived at by comparing the yen costs and a dollar price obtained by correcting pre-war export quotations by recent United States index figures. This rate is considered too low by Japanese manufacturers who are asking for at least 250 to 1.

MARINE PRODUCTS

In pre-war days, marine products were an important export item for Japan, next only to cotton piece goods, raw silk, silk goods and rayon piece goods; and there has not been much change in ranking since the War's end.

Pre-war records indicate that 45 to 50 per cent of the entire export volume in marine products was held by canned goods—to the value of some Yen 89 million in 1939—destined mainly for the United States and Great Britain, while Belgium, France, Holland, Germany and other European nations, China and Australia were also customers.

Next to canned marine produce, second place was held by shell-ligaments, cuttlefish, abalone, trepang, shark-fin, codfish, etc., followed by salted fish, fresh fish and shellfish, fish liver, agar-agar, shell buttons, fish oil, hardened fish oil, tangle, fish meal, laver, dried fish, etc. Of these, the fresh fish and shellfish were shipped to the United States and China, while the other produce were mainly purchased by China.

The initial post-war shipment of marine products consisted of agar-agar, destined mainly for the United States. This was followed by exports of seed oysters, dried abalone, dried shell ligaments, fish liver oil, and others. It was originally planned to ship some 400 million Yen worth during that year, so the actual result was only 70 per cent of the intended volume despite the addition of frozen items such as tuna, sundry fish and fish liver amounting to 23 million and some 20 million worth of herring oil.

Turning to the marine products exports for the first 3 months of this year, it will be seen that whale oil valued at Yen 140 million, shipped to Germany, heads the list, with shell ligaments, cuttlefish, abalones, agar-agar all showing good records. Frozen tunas have also been particularly good, the shipments both in quantity and value totalling some 6 times those of the same period last year. Tangle, which was not shipped out at all last year, amounted to some 2 million Yen.

According to the export plan for 1948 starting with April, marine products are expected to amount to Yen 3,160 million. Of these, 2,004 million are to be produced other than canned goods; so the total value is expected to be some eight times that of 1947. Since prices are higher, the rise in volume will not be quite the same. In

Post-war Exports of Marine Products

(Jan. to Dec., 1947)		Value	Yen Destination
	Quantity	(Yen 1,000)	
Dried shell Ligaments (pcl.)	3,633	59,803	U.S., Hawaii, Hongkong, Singapore.
Agar-agar (lbs.)	722,000	51,781	U.S., England, Hongkong, Singapore.
Dried cuttlefish (pcl.)	3,870	24,084	Hongkong, Singapore.
Seed oysters (c/s.)	56,574	23,077	U.S., Australia.
Cultured pearls (kg.)	302	20,426	U.S.
Whale oil (kg.)	947,000	19,800	Germany.
Dried abalones (pcl.)	1,209	19,272	Hongkong, Singapore.
Fish liver oil (kg.)	23,735	18,104	U.S.
Frozen fish (lbs.)	206,940	11,918	U.S.
Frozen tunas (lbs.)	150,000	9,003	U.S.
Dried trepangs (pcl.)	400	5,081	Hongkong.
Dried laver (shts.)	960,000	4,241	U.S., Hawaii.
Dried sharkfins (pcl.)	1,206	3,948	Hongkong.
Frozen froglegs (lbs.)	53,000	3,560	U.S.
Frozen shell ligaments (lbs.)	50,000	3,115	U.S.
Frozen fish liver (lbs.)	50,000	2,362	U.S.
Dried herring roe (lbs.)	17,390	1,808	U.S., Hawaii.
Agar-agar seaweeds (lbs.)	24,000	748	U.S.
Dried bonito (lbs.)	600	160	U.S.
Live carps	2,500	41	Hawaii.
Live goldfish	1,000	11	Hawaii.
Total		282,274	Yen

the export plan, stress is being laid on whale oil, frozen fish, fish liver oil, dried abalones and some other items which are regarded promising in the future.

Marine Produce Exports

(The First Three months of 1948)

	Value (Yen 1,000)
Whale oil	140,780
Frozen tunas	55,910
Dried cuttlefish	55,485
Dried abalones	49,765
Agar-agar	44,211
Crude fish liver oil	34,257
Dried shell ligaments	28,078
Seed oysters	13,670
Dried sharkfin	3,267
Asakusa laver	2,752

Red coral (crude)	2,173
Frozen shell ligaments	2,040
Tangle	1,981
Dried trepangs	1,270
Red coral (finished)	740
Frozen froglegs	410
Dried bonito	357
Cultured pearls	144
Frozen squids	138
Dried hijiki (sea-weed)	67
Goldfish	34

Total 438,529

As with last year, the destinations are principally the United States and Hongkong, with the possibility of some shipments to Bangkok and other Southwest Pacific markets. New items include tangle and trepangs to Hongkong and China, and various assortments of dried fish to the United States.

OUTPUT OF CHIEF TEXTILE GOODS IN JAPAN IN 1947

(yarns in 1,000 lbs; tissues in 1,000 sq. yds.)

	Cotton		Rayon		Rayon		Spun		Hemp		Cotton		Silk		Rayon		Spun		Woollen		Hemp
	Raw	filament	staple	staple	staple	staple	staple	staple	staple	staple	tissues	tissues	tissues	tissues	tissues	tissues	tissues	tissues	tissues	tissues	
1946	127,875	11,815	9,028	20,490	10,687	28,176	14,637	241,698	35,739	42,156	30,284	22,936	20,615								
1947	266,392	14,571	16,306	18,760	14,632	26,328	17,501	662,307	37,609	45,755	31,854	21,145	21,110								
1947 January	22,737	767	725	684	705	2,275	1,192	47,047	1,458	4,915	1,969	1,748	1,488								
1947 June	29,004	1,211	1,357	1,590	1,245	2,657	1,608	63,021	3,434	4,942	2,843	1,975	1,868								
1947 December	17,280	1,150	1,644	1,945	1,365	1,461	1,314	49,504	3,504	1,462	2,029	1,395	1,366								

In pricing, the yen-dollar conversion rate for seed oysters will be set at 300 to 1, with the average at between 150 or 200 to 1, while dried laver has been given at rate of 60 to 1. Therefore, even if a single overall rate is adopted in the future, there should be no difficulty in this respect. However, it must be noted that the bad food situation in Japan is making it extremely difficult to effect purchases of export items.

Marine Products Export Plan for 1948 Fiscal Year

(Excluding canned items)

	Quantity	Value (Yen 1,000)
Agar-agar (1,000 lbs.)	1,200	180,000
Dried abalones (pcl.)	2,100	105,000
Dried sharkfins (pcl.)	3,500	14,700
Dried shell ligaments (pcl.)	5,000	150,000
Dried cuttlefish (pcl.)	15,000	127,500
Seed oysters (c/s.)	40,000	60,000
Salted dried fish (1,000 lbs.)	270	34,050
Frozen products (m.t.)	8,980	983,920
Whale oil (m.t.)	10,000	600,000
Crude fish liver oil (m.t.)	100	110,000
Sperm oil (m.t.)	400	24,000
Total		Yen 2,401,170

* * *

DOMESTIC PROBLEMS OF JAPANESE COTTON INDUSTRIES

U.S. cotton loan to Japan amounting to 60 million dollars has made possible a yearly supply of 1,200 to 1,500 thousand bales of raw cotton to Japan, and there is a strong assertion among Japanese businessmen to accelerate rehabilitation of cotton spindles to meet the production goal.

As of the end of March, the total of Japan's spindle holdings was about 3,100 thousand, of which 2,244 thousand were operatable but with this number of spindles available, only 870 to 890 thousand bales of cotton could be processed a year, consequently the Ministry of Commerce and Industry has set a goal of rehabilitation of spindles at 3,600 thousand for March 1949 and at 4,000 thousand for June 1949.

However, shortage of steel ingot and pig-iron is hampering the above programme. 8,500 tons of steel ingot and 10,000 tons of pig-iron are at least required to attain the goal of rehabilitation of 4 million spindles, while the supply of steel ingot is estimated at about 5,000 tons, and that of pig-iron at about 4,000 tons for the same period or about half of the requirements in both items. As a result, efforts will be extended by the Ministry of Commerce and Industry to secure an adequate supply of these materials for this purpose.

ROLLING-STOCK

Rolling-stock manufacture for the Japanese Government Railways is in the hands of the government's subcontract companies. In this respect it differs from the manufacture of ships and automotive vehicles. In other words, it is under the patronage and supervision of the Ministry of Transportation. Programs for rolling-stock production are drawn up within the framework of the Ministry budget, a fact which leaves no independence to the makers. This means, on the other hand, that the makers are free from cut-throat competition.

The leading makers are: Nippon Sharyo, Kawasaki Sharyo, Kisha Seizo, Hitachi Seisaku, Mitsubishi Jukogyo, Mitsubishi Denki, Toshiba Sharyo, Niigata Tekko, Teikoku Sharyo, Kinki Sharyo and Kinami Sharyo. Added to these are a number of shipping companies formerly devoted to the munitions industry, which are now engaged in rolling-stock making.

As shown in the following table, the 1947 production performances were extremely poor, except for electric locomotives and cars.

Rolling-Stock Production.

(1947 fiscal year April to March)

Type of Rolling-Stock	Total	Equipment Capacity
Steam Locomotives	89.95	267
Electric Locomotives	47	64
Electric Cars	889	1,475
Freight Cars	1,043	5,305

As regards rolling-stock exports, a good deal was shipped before the war. In 1941, for example, 410 steam locomotives were shipped out of 622 produced, 17 electric locomotives out of 39, 688 electric cars out of 1,392 and 2,320 passenger cars out of 9,956. They were shipped mainly to Formosa, Saghalien, Korea, Manchuria, China and Siam. Post-war exports are far from brisk: even the demand at home has not been met, too much time having been spent in reconditioning.

Past-war Rolling Stock Exports

(Up to the end of 1947)

Type of Rolling Stock	Quantity (In units)	Value (In Yen 1,000)
Steam Locomotives	24	72,941
Electric Locomotives	6	51,585
Freight Cars	54	12,373
Parts	—	10,927
Total	—	147,830

In the 1948-49 fiscal year, however, shipments to the Soviet Union are likely to be prominent among Japan's rolling-stock exports. The Soviet orders broken down are as follow. Steam locomotives 30, box cars 160, gondolas 100, tank cars 30, refrigerators 20, 3rd class passenger cars 15, 2nd class sleeping cars 5.

As for rolling-stock manufacture in 1948, not a single locomotive is slated for construction for home use. Top priority will be given to freight car building. In 1947 efforts were devoted to electric car building.

CHINAWARE

Post-war chinaware export began with a shipment to Hongkong in November 1946, and in the eighteen months up to April 1948 had aggregated some Yen 917 million in value. This figure is an all-time record far surpassing the peak of Yen 66.5 million attained in 1940. But this is only a result of the soaring prices, and the actual volume is still far short of the pre-war: 16,500 tons in 1947, or only 16 per cent of the 102,000 tons of 1940.

Tableware comprises 88.6 per cent of the exported ceramics and currently tiles, insulators, sanitary ware and others each make up between 2 to 5 per cent of the total. Almost all these export ceramics are manufactured in the three prefectures of Aichi, Gifu and Mie, the records for the 1947 fiscal year reveals that 95.4 per cent of all export chinaware was produced in these districts.

The principal markets are the United States, the Netherlands East Indies, Hongkong, Canada and Singapore, which together absorbed 90 per cent of all overseas shipments; and currently the United States is the chief buyer, taking 42.5 per cent of the total. This is not to be wondered at, considering the past records and the special conditions created by the Occupation.

Chinaware Production

Year	Value (Yen 1,000)	Quantity (In metric tons)
1940....	196,144	655,362
1945....	35,900	181,294
1946....	725,121	120,257
1947....	3,467,910	717,816

Although production has been steadily improving since the War's end, output is still far below the pre-war level: the 1947 output was still below that of 1945, the year of the Surrender, and only 27 per cent of the record production of 1940. The main deterrent is the difficulty in obtaining coal; for actual consumption in 1947 was only 48.4 per cent of the requirements. Therefore it can be assumed that operation was held down to 44.5 per cent of rated capacity.

The demand in foreign markets is heavy. In pre-war days the United States imported 200,000 sets of dinner sets each year. So it is only natural that after the intervening war years the demand should have increased. However, production capacity is now somewhere around 10,000 sets per month, and insufficient to meet the demand.

The demand for chinaware in Far Eastern countries is also great; and for production of goods for these markets there is adequate capacity because the quality requirements are not so high as in the articles destined for America. However, because of poor progress in trade talks there is a tendency towards over-production. The main reason for the lack of orders from these areas is their lack of dollar funds. For ex-

ample, enquiries from Australia in connection with a purchase of 900 million porcelain insulators have not resulted in any contract for this very reason. Then the complicated export procedure involving the preparation of some 1,020 copies of documents can be counted as another obstacle. Although of course these hindrances are not limited to the Far Eastern trade, it is certainly true that for the medium and minor exporters who specialize in this field they are major deterrents.

The trade procedure is to be greatly simplified, and with the Yen-Pound Sterling agreement concluded on June 1, settlements will be facilitated; and the whole situation should be greatly improved.

Among the other export bottlenecks is the problem of funds. There have been lengthy delays in government payments for exported goods; in some cases as much as 5 months after delivery has been effected. Since in the interim considerable funds remain frozen, some source of money to fill the gap must be found. Trade bills cannot be depended upon; for in the first place, city banks are short of funds, then these bills cannot be issued without due validation which usually takes 3 months to obtain after the export contract has been signed. Even prominent export chinaware producers are faced with this problem of stop-gap funds, and some are turning to small make-shift borrowings through the Ceramic Industry Association. With the expected upping of official prices, these difficulties are bound to increase.

* * *

RAYON AND STAPLE FIBRE

Great hopes are placed in rayon goods as export commodities. For a far larger potential market exists for this item than for cotton piece goods. Another point in favor of rayon is that since almost all the raw materials are procurable in Japan, the earnings on exports tend to be bigger than in the case of cotton goods with which only manufacture charges are the source of profit.

The export figures for the peak pre-war year of 1937 are 59 million pounds of rayon yarn and 598 million sq. yds. of rayon fabrics. But for such a high volume, a plant capacity of 851 tons of yarn per day and actual annual production of 335 million pounds had to be maintained. The situation today is entirely changed. The wartime stripping of plants for scrap and the air-raid damages reduced plant capacity to 152 tons per day; a drop to 13 per cent of the 1937 level. This figure moreover indicates the installed capacity; and the actual operable capacity as of September 1946 was not more than 78 tons per day. However, a three year plan for restoration was adopted, and although some nine months behind schedule the industry

has recently managed to attain the initial goal of 100.7 ton capacity per day. In addition to this are the newly built plants of Nippon Rayon K.K. (Uji), Kurashiki Kenshoku K.K. (Kurashiki), and Daiwa Boseki K.K. (Iwami) rated at 5 tons each per day, and the 3.3 ton plant of the Toyo Boseki K.K. at Iwakuni. Of these latter, the Uji plant of the Nippon Rayon K.K. has been producing some 1.5 tons daily since the middle of March.

Three Year Plan for Restoration of Rayon Plant Capacity

	(In tons)		
	Sept. 1947	Sept. 1948	Sept. 1949
Tokyo Rayon K.K. (Shiga)	26.0	33.0	33.4
Teikoku Jinken K.K. (Mihara)	25.0	36.5	53.7
Toyo Boseki K.K. (Tsuruga) ...	8.2	8.2	8.2
Kurashiki Kenshoku K.K. (Saijo) ...	11.8	11.8	11.8
Asahi Kasei K.K. (Nobeoka)	17.4	20.0	24.0
Viscose	11.8	20.3	20.3
Cuprammonium	100.0	130.2	151.4

Note: 1. Figures given are daily output capacities.

2. Names in parenthesis, are those of plants.

Besides the post-war diminution in capacity, bottlenecks developed in the supply of coal, and the rayon yarn output for 1947 amounted to 16 million pounds, or only 5 per cent of the 1937 production of 335 million pounds.

Rayon Yarn Production (In 1,000 pounds)

	1947	1948
January to March	2,403	5,873
April to June	3,734	9,500
July to September ...	4,764	14,000
October to December .	5,406	—

Total 16,307 —
Rayon yarn exports for 1947 totalled 7,417,000 pounds, and were mainly shipped to China, India and Hongkong. Inventoried rayon yarn as of March 31, 1948 amounted to 7 million pounds, indicating a slump in the export trade.

The production plan for rayon yarn for fiscal 1948 (April 1948 to March 1949) schedules 46 million pounds, or double the previous year. Thus, production is going along smoothly; but mainly because of poor quality, it is problematical whether there will be a corresponding increase in exports.

The present plant capacity for staple fibre is 301 tons per day. Staple fibre lagged behind rayon in development, and peak capacity was reached in 1941 when a daily output of 1,200 or more tons became possible. The present capacity is therefore reduced to roughly one fourth of pre-war. The highest production figure of 327 million pounds was attained in 1938; so last year's output of 19 million pounds is less than 6 per cent of the pre-war peak. With rayon staple, 60 per cent of output is slated for domestic con-

sumption while the remainder goes to export, which currently is almost negligible.

Staple Fibre Production

(In 1,000 pounds)

	1947	1948
January to March	2,348	5,800
April to June	4,571	8,500
July to September ...	6,134	11,000
October to December .	5,992	—

Total 19,045 —

The output of staple fibre planned for the current fiscal year is some 42 million pounds; and the conditions underlying production appear to be fairly good.

* * *

KNITTED GOODS

This industry reached its peak before 1937 with more than 102,257 knitting machines available throughout the country. But during the Pacific War some of these machines were scrapped, while others were destroyed or damaged in air raids. As a result, immediately after the war the number dwindled to 42,926 or about 40 per cent of the pre-war figure.

The necessity for knitted goods came to be keenly felt again in post-war Japan as a means of stepping up exports and also as articles necessary to the living of the people at large. This, coupled with the comparative ease with which knitting machines are produced; led not only the knitting machine makers, who had enjoyed prosperity prior to 1937, but also the wartime munition manufacturers and their sub-contractors to start turning out knitting machines. In consequence, the work of restoring the knitting equipment to normalcy made rapid progress. As of March 1948 the total number of machines was 81,917 or more than 80 per cent of the pre-war figure.

Knitting Machines

(Per unit)

Type of Machine	Before 1937	Soon after the war	As of March 1948
Circular ..	26,271	8,857	21,235
Flat	29,873	7,667	21,155
Hosiery ..	28,172	9,894	17,506
Flat for gloves ..	17,460	16,310	20,520
Warp	477	198	1,500
Total ..	102,253	42,886	81,917

As regards production, the year 1937 witnessed Yen 75,923,000 worth of knitted goods made out of Yen 30,512,000 worth of stockinette or 38,067,000 lbs. in weight. The chief items of manufactures were undershirts, underpants, socks, stockings and gloves. The raw material was cotton yarn.

Yarn in post-war Japan was allocated on a priority basis. But due partly to the unexpected slackness of export of knitted goods and partly to a

shortage of yarn, the 1947 allocation of yarns was only 15,400,000 lbs. or about 10 per cent of the pre-war figure, even when staple fibre and rayon yarns were included. With the plants as of March, 1948, in full opera-

tion, something like 105,400,000 lbs. of yarn could be consumed annually. This means that the 1947 allocation of yarn for this industry occupied no more than 15 per cent.

About Yen 49,988,000 worth of knitted goods was exported in 1936 and Yen 60,713,000 worth in the following year. The principal countries to which they were exported were the U.S.A., the Netherlands East Indies, India, England, and the Philippines, followed by South Africa, Manchuria, and Egypt. As to stockinette, Yen 1,368,000 worth was exported in 1936 and Yen 1,880,000 worth in the following year.

Production of Knitted Goods in 1937

	Quantity (In 1,000 lbs.)	Value (Yen (1,000))
Stockinette	38,067	30,512

	Quantity (In 1,000 doz.)	Value (Yen (1,000))
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Manufactured articles.

Undershirts and underpants	3,738	26,551
Socks and stockings	14,218	28,822
Gloves	4,086	7,021
Shorts	796	2,646
Others	—	12,204
Total	—	77,244

Exports of Knitted Goods Classified by Country

	1937	1938
U.S.A.	6,849	6,784
Netherland East Indies	7,602	4,426
England	5,669	5,260
Philippine Is.	5,015	5,475
India	4,560	4,256
Manchuria	3,362	1,813
South Africa	3,180	2,711
Egypt	1,030	965
Others	60,713	49,988

When the three year program was drawn up in the autumn of 1946 for the rehabilitation of the textile industry, the production of knitted goods was blueprinted as broken down below.

In terms of yarn, 37,088,000 lbs. are slated for production in the first year of the program (October 1946-September 1947), 75,244,000 lbs. in the 2nd year and 105,380,000 lbs. in the 3rd year. Of these, 10,617,000 lbs. are slated to be produced for export purposes in the 1st year, 22,926,000 lbs. in the 2nd year and 37,126,000 lbs. in the 3rd year. The breakdown by country is as follows:—

Export Plan (Classified by country) (In 1,000 lbs.; for Oct. 1946 to Sept. 1947)	
Korea	3,665
China	3,280
French Indo-China	212
Siam	309
India	5,641
Straits Settlements	137
Philippine Is.	3,356
Netherland East Indies	4,017

Total

20,617
India, the Netherlands East Indies, Korea, the Philippines and China are the chief countries to which knitted goods are expected to be exported. The reason why the United States and Britain are not to play the part they played in pre-war days is that the program was mapped out by considering the change in demand and supply of knitted goods that took place during the war. But a survey of the actual figures representing exports reveals that of the T shirts and undershirts produced for foreign consumption only 500,000 doz. were exported to the Netherlands East Indies and small quantities were sold to Congo and the Occupation Forces in Japan during 1947. The total backlog as of the end of January 1948 was 2,620,000 doz. including 1,610,000 doz. of unbleached. In April 1948, however, it was decided to export 250,000 doz. to the Netherlands East Indies. But then, if the production after February 1948 is added to this, the backlog will reach approximately 3,000,000 doz.

This considerable quantity of backlog may be attributed to the following factors:

1. During the War the factory hands dispersed. After the war the makers set about turning out T shirts and undershirts (which does not involve technical difficulties to any great extent) as a means of training operatives, while planning to increase equipment facilities for knitted goods production.

At first, efforts were made to turn out unbleached shirts only, but gradually the makers' energy was bent to the manufacture of articles of improved quality. But that did not alter the fact that only two kinds of goods—T shirts and undershirts—continued to be turned out. As a result, the requirements could not be filled.

2. The poor quality of yarns, the high prices, and the dollar shortage in overseas markets also combined to cause the backlog in question.

As time went on, however, the number of skilled operatives gradually increased in this field of activity. Since May 1948 the tendency has been for Japanese manufacturers to produce, besides T shirts and undershirts, 16 varieties of shirts which used to be in great demand in the South Sea Islands and Africa before the war. The plan is now afoot to turn out, as from August 1948, colored goods similar to those of pre-war days, in addition to other items. All this will go to show that this branch of industry is steadily coming back into its own.

FOREIGN TRADE OF JAPAN

RETURNS FOR MARCH

Foreign trade has become active with a marked advance both in exports and imports. Exports continue to expand, figures for March registering the highest record after the termination of hostilities. Imports again increased in March to the largest volume next to that of August last year. Although both exports and imports showed an increase of about 30% compared with the previous month, imports still amounted to twice the value of exports.

The advance in exports was mainly due to the active demand for silk tissues, raw silk, metals, aquatic products, woollen tissues, etc. The export of silk tissues in particular showed a marked advance in March, 90% being shipped through government channels.

Export of Silk Tissues in 1948.

	(in 1,000 sq. yds.) Jan./Mar. 1948	total after the war
Government trade	4,847	28,699
Private trade ...	500	958
Total	5,397	29,657

Production Plan for Knitted Goods (In 1,000 lbs.)

Material	For export			For home consumption		
	1st year (Oct. 1946- Sept. 1947)	2nd year (Oct. 1947- Sept. 1948)	3rd year (Oct. 1948- Sept. 1949)	1st year (Oct. 1946- Sept. 1947)	2nd year (Oct. 1947- Sept. 1948)	3rd year (Oct. 1948- Sept. 1949)
Cotton	18,450	20,500	34,000	9,500	37,810	—
Staple fibre	0	0	0	5,000	5,000	5,000
Worsted	1,500	1,800	2,000	200	3,154	5,000
Woollen	0	0	0	2,000	3,000	4,000
Raw silk	100	100	100	0	0	0
Rayon	570	580	1,030	1,768	3,300	5,800
Total	20,620	22,980	37,130	16,468	52,264	68,250

Exports of raw silk which tended upward since February this year continued to be active in March, though the volume was still one-thirtieth of the pre-war level. Exports to the United States still ranked first, covering 60% of the total. An increase of exports to Great Britain, Hongkong, etc., and new markets of France, Australia, etc., is noteworthy.

Exports of Raw Silk for Jan./March 1948.

(in bales)	
U. S. A.	6,830
Great Britain	1,920
Australia	480
Hongkong	505
Egypt	40
French Indo-China	276
Switzerland	910
France	300
Total	11,261

Exports of cotton tissues to Southern Asiatic countries were handicapped by the lack of dollar funds in these territories. Stocks in the domestic market reached 380 million sq. yards on April 20. To dispose of these stocks release for domestic consumption is contemplated. On the other hand, export contracts are now under consideration with Dutch East Indies, Afghanistan, etc.

Imports of foodstuffs increased by 42% compared with the previous month, the ratio of foodstuffs to total import value advanced to 61.7% due to larger arrivals of high-priced processed foods. Imports of raw cotton which declined remarkably in February reached 50,000 bales in March, but were only half of the volume imported in January. Imports of petroleum and rubber also showed a marked advance in March. Total imports of staple food, salt, paraffine, phosphorite, and gasoline during the first three months of this year amounted to 170%, 210%, 176%, 209%, and 201% respectively as compared with the planned volume, whilst iron ore and other reconstruction materials showed a smaller import than expected.

As regards destination, the United States ranked first with 33.2% of the total export value, followed by Korea, Dutch East Indies, Great Britain. It is noteworthy that the importance of Oriental markets in the export trade declined from 61.0% to 42.1% due to inactivity of cotton tissues, whilst that of European market advanced from 5.3% to 19.5% mainly due to larger shipment of metals. The United States held a predominant position in the import trade, with 86.8% of the total value, followed by China (4.3%), Mexico (3.3%) and Korea (2.1%). Imports from Dutch East Indies, Malay and other Oriental countries showed a gradual increase.

Private foreign trade developed favourably, and export contracts settled in March totalled 720 of a value of 10,808,000 dollars. Total contracts since September last year amounted to 2,387 valued at 31,333,000 dollars. Miscellaneous articles were

largest in number, and textile goods in value. In view of the development of private foreign trade, the Board of Trade is now investigating the simplification of procedure, the complexity of which has affected the promotion of the export trade. At the same time, the settlement of the exchange rate has become a very urgent problem.

THE EXPORT COMMODITIES OF JAPAN IN MARCH 1948

Textile goods 55.04% of total exports, viz. raw silk 5,675 bales or 17.66% of total exports in March, silk tissues 3,668,000 yards (10.59%), cotton tissues 22,462,000 yards (19.67%), rayon yarn 177,000 lbs., (0.47%), rayon tissues 1,094,000 yards (1%), woollen and worsted yarn 22,000 lbs. (0.17%), woollen and worsted tissues 183,000 yards (2.4%), other textiles (3.08%).

Metals and machinery were exported in March accounting for 8.65% of total shipments. Fertilizer 28,000 tons (8.39%); Coal 79,700 tons (4.78%), Agricultural and marine products 8.36%, Miscellaneous goods 10.34%, other goods .35%.

THE IMPORTS OF JAPAN IN MARCH 1948

Foodstuffs accounted for the largest percentage of total imports with 61.7%, a tonnage of 189,000. Petroleum followed with 113,000 kilolitres accounting for 13.99% of total imports. Other import commodities were: Fertilizer 54,000 tons (5.46%), Raw Cotton 47,152 bales (8.04%), Raw wool 945 bales (0.16%), Cotton linter 3,523 bales (0.22%), Hemp 1 bale; Pharmaceuticals accounted for 3.28%; Salt imports were 52,000 tons (1.64%), Mineral Products 38,000 tons (1.54%), Rubber 3 tons (1.11%).

HONGKONG'S SHARE IN THE JAPAN TRADE

According to the official figures of the Board of Trade the Colony of Hongkong bought from Japan in March 6.94% of total Japanese shipments abroad. Hongkong ranked fifth after U.S. (with 23.17%), Korea (14.88%), Netherlands Indies (13.15%), and U.K. (8.45%).

As a supplier of goods to Japan, Hongkong was responsible only for 0.20% of total imports.

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SHIPPING REPORT

Shipping traffic by steam vessels registered an increase month by month, exceeding 1,000,000 tons in February, the highest record after the termination of hostilities. The volume of traffic was larger by 575,000 tons or 2 times compared with the corresponding period of the previous year. However, steam vessels available for the conveyance of commodities have almost reached the limit of their carrying capacity, and the attainment of 19,300,000 tons, the target for the fiscal year 1948-49, may not be realized.

BANK NOTE CIRCULATION IN JAPAN AND STABILITY OF YEN

Currency circulation which decreased temporarily in January and February this year principally due to forced tax collection and restrained government disbursements, showed an increase of 3.4 billion yen in March owing to an increase of advances by the Bank of Japan and large withdrawals of deposits. However, the inflationary tendency through heavy government disbursements which was intensified throughout 1947, has at present become moderated, and its future decline is anticipated. On the other hand, business financing has become more difficult, severely affecting industrial activity.

At the end of March the circulation reached 218,700 million yen. It may be said that the development of note circulation has been, in general, rather moderate. This recent temporary contraction in the note issue is mainly due to tax collection, and also restrained government disbursements. As a result of the forced tax collection, taxes collected during the three months from January this year amounted to 64.3 billion yen, the total amount during the fiscal year 1947 reaching to 100 billion. The remaining 25,300 million yen will likely be collected in April. On the other hand, government expenditure has shown a tendency to increase, amounting to 12.4 billion yen in January, 45.8 billion in February and 44.6 in March, though these are still small compared with total expenditure at the end of last year. The policy of restrained government payments will be maintained hereafter.

Industrial production showed some recovery in the first quarter of 1948 though the general tendency is still stagnant. The recent recovery was principally due to some improvement in the electric power situation and the consequent increase of power distribution to industries. Industrial production has also been stimulated by imports or prospects of imports of materials. The production of iron and steel advanced due to imports of coal and iron ore. The reopening of several furnaces is under contemplation. The cotton industry has become active following the arrival of raw cotton, but the rehabilitation of equipment is making slow progress, because a sufficient supply of raw cotton has not yet materialized.

The food situation developed favourably. Imports of foodstuffs caused an increase of government holdings. The improved food situation has given impetus to industrial production.

The American policy towards the alleviation of the Japanese reparations burden and economic assistance for self-support which became clear through the reports of the Strike Mission and the arrival of Mr. Draper, Under-Secretary of War Department of the United States, has heartily been appreciated by the Japanese people. However, economic assistance from foreign countries cannot prove

FOREIGN FIRMS & REPRESENTATIVES LICENSED IN JAPAN

The following foreign concerns have been licensed by the Supreme Commander for the Allied Powers to conduct business in Japan as of July 1, 1948 (name of representative is given in parentheses):

AIRLINES — British Overseas Airways Corp. (E.H.W. Lewis). China National Aviation Corp. (Alfred T. C. Kao). Northwest Airlines, Inc. (R. J. Morgan). Pan American World Airways, Inc. (Willard H. Branch).

AUTHOR-PUBLISHERS — Horace Bristol, Ernest Hoberecht, Peter Kalischer, Mrs. Elizabeth Gray Vining.

BANKS — Bank of America and National Trust and Savings Association (Y.J. Johnson, Jr.). Bank of China (Wu Chang). Banque de l'Indochine (Roger Aubrun). Hongkong and Shanghai Banking Corp. (V. A. Mason). Chase National Bank (J.P. Duddy). Netherlands India Commercial Bank (B.H. van Ketel). Netherlands Trading Society (A.H. Stok). The Chartered Bank of India, Australia and China (J. C. Marks). The National City Bank of New York (L. W. Chamberlain).

effective if the economic instability caused by the accelerated inflation does not disappear. Imports of foreign capital cannot be expected, unless the economic situation is settled so as to guarantee safety and a ration profit for foreign investments. The stability of the yen by means of checking inflation is the fundamental problem in this respect.

COUNTRIES LICENSED TO SELL BOOK TRANSLATION RIGHTS — All Allied Union International Book. His Majesty's Government in the United Kingdom. The Republic of France. United States of America.

FILM DISTRIBUTING AGENCIES — British Commonwealth Film Corp. (Lewis Bush). Central Motion Picture Exchange (Charles Mayer). Sovexportfilm (M.S. Pankin). Syndicate of French Movie Producers (Francois Chevallier).

GIFT PACKAGE DISTRIBUTORS — Co-operative for American Remittances to Europe, Inc. (Adrian E. Gory).

INSURANCE COMPANIES — American Foreign Insurance Association (W.F. Provost). American International Underwriters Corp. (Paul W. Aurell). British Insurance Group (G. W. Hudson). North America Companies (licensee not operating in Japan as of July 1, 1948.)

MARINE SURVEYORS — American Bureau of Shipping. Lloyds Register of Shipping (T. O. Morris). R. J. Del Fan and Co. (Licensee not operating in Japan as of July 1, 1948.)

NEWS AGENCIES — Associated Press (Russell Brines). Central News Agency of China (Norman Soong). Chicago Tribune (Walter Simmons). French Presse News Agency (Leon Prou). Hearst Corporation (Howard Handelman). London Express Newspapers Ltd. (Sankichi Hata). New York Herald Tribune (Allen Raymond). New York Times (Burton Crane). North America Newspaper Alliance

(Ray Falk). Reuters News Agency (Joseph E. Wilson). Telepress, Ltd. (Hugh Deane). The Observer, Ltd. (Gordon Walker). Time Publishing Co., Ltd. (Frank Hawley). United Press (Ernest Hoberecht).

PUBLICATIONS — Catholic Digest (Rev. W. Kaschmitter). Christian Science Publishing Society (Gordon Walker). Crowell-Collier Publishing Co. (No representative in Japan). Far East Service, Inc. (Saiji Hasegawa, Jiji Tsushin Sha). McGraw Hill Publishing Co., Ltd. (Alpheus W. Jessup). Newsweek (Karl H. Bachmeyer). Omnibook Magazine (No representative in Japan). Reader's Digest Association (Dennis McEvoy). Time Incorporated—Life Magazine (Robert H. Garey). Time Incorporated—Time Magazine (Robert H. Garey).

STEAMSHIP AGENCIES — American President Lines, Ltd. (S.F. McCashey). American Steamship Agencies, Inc. (C.V. Morton). Butterfield and Swire (Japan) Ltd. (M. Y. Piennes). China Merchant Steam Navigation Co. (Chang King). C.F. Sharp & Co., Inc. (Myles S. Waterman). Compagnie des Messageries Maritimes (C. Miollis). Cornes and Company Ltd. (H. F. Vincent). Dowell and Company, Ltd. (J.P. Barnett). Everett Steamship Corp. (G.W. Colton). Griffith Transport Co. (E.J. Griffith). Isbrandtsen Company, Inc. (Henry Kareboenschmidt). Jardine, Matheson & Co., Ltd. (Manning L. Railton). Luson Stevedoring Co. (Herbert H. Searl). Mackinnon, Mackenzie Co. (China) Ltd. (D.L.N. MacFarlane). Maersk-line Limited (A. Laderrier). Mollers (Hongkong) Ltd. (R.G. Morse). Pacific Far East Lines (C.W. Evans). Royal Intercocean Line (J. R. Van Osselen). The Rymo Shipping Co., Ltd. (E.S. Truog). United States Lines Co. (N.W. Gatrell).

EXCHANGE & FINANCIAL MARKETS

Hongkong Clearing House

Business Conditions in the Colony

Following are the Hongkong Clearing House figures for the first eight months of the year of 1948 compared with the same period of 1947:—

	1948	1947
January ..	\$ 690,869,863	\$ 442,070,008
February ..	624,267,531	460,807,509
March	780,180,420	464,164,534
April	753,367,765	541,751,540
May	677,060,291	642,913,034
June	667,992,698	500,954,782
July	656,716,034	628,312,553
August ...	667,791,274	548,873,308

Total eight months	5,518,245,876	4,229,847,268
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Business conditions, generally, in August were somewhat improved compared with July. Trade figures continue high although the dreaded recession has been felt by almost all merchants. Real estate transactions have declined considerably as a result of a slump in prices for houses, residential and industrial land. The Stock Exchange reports very dull trading weeks and the much reduced volume of business done there reflects on the Clearing House figures.

Under these conditions the relatively high total for August will come to many as a surprise. Against July the clearing total in August was up by 1.68%. Compared with the August 1947 figure the present clearing figure is higher by 21.67%.

Owing to the flourishing entrepot business and active speculative markets last March and April the average for the first 8 months of 1948 amounts to \$689,780,734½, that is 3.19% more than the August figure.

Compared with the first eight months of 1947 the figure for 1948 is higher by 30.46%.

China Trade Debacle

Although the Colony's trade with China has declined this year the ample opportunities which offered all over the Far East have more than made up for the commercial and financial debacle of China which has adversely affected Hongkong. Our entrepot trade with Siam, Malaya, the Netherlands Indies the Philippines and Japan has flourished, and several countries have conspicuously increased their commerce with the Colony, particularly Korea.

It is no longer true to regard Hongkong as a commercial entrepot for South China or even for all of China; in the post-war years Hongkong has established itself as the principal entrepot for the whole Far East and Western Pacific. As trade with China steadily declined—largely a consequence of the ever lower purchasing power of the Chinese people and the failure of the export drive of the Government at Nanking—our commercial relations with other Far Eastern countries were intensified and an increasing volume of business

was done with every country. The recent heavy expansion of exports to the Philippines is another most encouraging point in the trading picture of the Colony.

The figures of Hongkong Clearing House do not include most of the native exchange transactions as the Chinese native banks, bullion dealers, exchange shops and their very numerous clients settle accounts in their own clearing institution. The fictitious gold transactions carried out in the Gold & Silver Exchange Society or the curb market, established by major native banks, are not cleared through the authorised exchange banks or other commercial banks who are members of Hongkong Clearing House. Since speculation in gold is largely excluded from the business of local commercial banks who also, by and large, refrain from engaging themselves in unofficial exchange transactions, the clearing figures are indicative of commercial transactions in the Colony. The almost paltry turnover on the stock and share market as well as the small volume of house and land transactions especially in August, have contributed but little to the total of last month's Clearing House figure.

From the trade returns of the Colony—which are running to such high figures as \$284 million per average month (average monthly imports \$164 million, average monthly exports \$120 million)—and from the Clearing House amounts, correctly understood as to involve mainly commercial transactions, the actual state of prosperity can be gauged. It is however a prosperity which has very little to do with China trade but which has been planned and developed by the merchants of Hongkong in the wise anticipation of the great commercial potential of Hongkong in the Far East and Western Pacific as a natural entrepot unrivalled as for facilities in this disturbed and mismanaged post-war world.

PHILIPPINE FINANCIAL STATISTICS

as at May 31, 1948

Monthly Averages.
In thousands of Pesos.

Loans, Discounts, and Advances		
May 1, 1948	April 1948	May, 1947
374,906	370,044	295,556

Total Bank Resources		
May 1, 1948	April 1948	May, 1947
888,616	871,156	762,847

Bank Deposits (Public funds not included)		
May 1, 1948	April 1948	May, 1947
436,001	421,433	370,030

Debits to Individual Accounts		
May 1, 1948	April 1948	May, 1947
101,864	121,468	110,410

Circulation		
May 31, 1948	April 30, 1948	May 31, 1947
798,775	784,771	714,969

CHINESE FINANCIAL MARKETS

The battle against rising commodity prices continues in China; extraordinary powers, conferred by Generalissimo Chiang Kai-shek on a variety of supervisory and control organs, are wielded by military, police and civilian authorities and arrests, confiscations and dire threats are the order of the day. The successes scored by the Generalissimo's son, Maj-Gen. Chiang Ching-kuo, who is in control of the Shanghai markets, in the Chinese Government's fight to hold prices, wages and salaries at the decreed levels (as in force on or before August 19) were conspicuous during the last two weeks. Gen. Chiang is ready to make limited concessions to business leaders and to adjust certain obvious injustices in the price freezing orders but on the whole the ceiling prices remain and are being enforced with a vigour unknown in the history of the Kuomintang. Although Gen. Chiang's measures are disliked by many if not most business men the general public appears to be solidly behind him and his popularity is growing with the successes he is able to show to the nation in the present economic emergency. The enforcement of the ban on illicit dealings in gold and foreign currencies is also carried out with a higher degree of efficiency than observed since the end of war and, in fact, since the Kuomintang acceded to power. A real effort by the Chinese authorities to help themselves is being staged and if the Government will eventually bring about the solid stabilisation of prices, balance its budget and thus eliminate the causes for excess bank note printing, foreign assistance will no longer be vital but it may prove of great benefit in the rehabilitation of China's production and industries.

Chinese official conversion rates for bullion and foreign exchange:—

	Gold	CN\$	
	Yuan millions		US\$
Gold, 1 oz	200	600	50
(weight of one gold yuan has been fixed at 0.22217 gram)			
Silver, 1 oz ...	3	9	0.75
Silver \$ coin ...	2	6	0.50

	Gold	CN\$	crossrate
	Yuan millions		US\$
US\$ 1	4	12	
£	12	36	3
HK\$ 1	0.75	2¼	0.183¼ (HK\$533)
Rupee 1	0.90	2.7	0.22½
Swiss fr. 1 ..	1	3	0.25

Chinese official parities for Hongkong dollar:—

Gold	CN\$	Hongkong
Yuan	millions	dollar
0.75	2¼	1
1.0	3	1.333
0.333	1	0.44433

Hongkong Market:—The exercise of controls in China, especially in Shanghai, affected the local market where it is held that a further tightening of controls by the Chinese authorities should eliminate black market dealings in the interior and subsequently there ought to be little if any business in Chinese money outside China other than at the official exchange rates. Business here was exceedingly small; T.T. on various interior places ceased as a consequence of the full control exercised in such cities. T.T. Swatow was not conducted.

Turnover in the native market totalled:—TT Shanghai Yuan 270,000, TT Canton Yuan 642,000, TT Hankow Yuan 240,000, making a total of Yuan 1,152,000. Spot notes sold for an amount of Yuan 168,000.

Highest and lowest unofficial rates for the week under review:

	Highest HK\$	Lowest HK\$	Decrease against parity
Spot notes, GY 1	1.30¼	1.20	2.3% to 10%
TT Shanghai	1.25¼	1.01¼	6% to 24%
TT Canton	1.28½	1.07	3.6% to 19.7%

Closing rates at the end of the week: TT Shanghai HK\$ 1.17, TT Canton \$1.28.

Tendency was upward and adjustment of the unofficial with the official rates (parities) was anticipated.

TT Shanghai quoted both in gold yuan and CN\$ while all other TT and spot quote per yuan. TT Shanghai highest, lowest and closing rates per CN\$100 million were respectively HK\$ 41.¾, \$33¾, and \$39.

Shanghai Market:—The black bullion and exchange markets operated with restraint and more than the usual care. Turnover was only about half of what used to be the normal average per week prior to August 19.

Highest & lowest rates for the week ending August 11:—

	Highest GY	Lowest GY	Increase over parity
Gold, 1 oz.	270	225	12½% to 35%
US\$1	5.20	4.60	15% to 30%
HK\$	0.96	0.79	5.4% to 28%

Closing rates of last week for gold, US\$ and HK\$ respectively GY 245, GY 4.95 and GY 0.866.

Crossrates:—gold per oz from US\$ 49 to 56, medium rate 52, closing 49½.

Hongkong note from US\$ 0.1639 to 0.1961, closing 0.1754.

Sterling: from US\$ 2.62 to 3.13, closing 2.80.

Canton Market:—HK notes are quoted still in terms of CN\$; highest rate per HK\$ 1 was CN\$ 2,550,000, lowest rate CN\$ 2,270,000, amounting to a discount on the parity of 1% to 13.4%. Towards the close of the session the Chinese yuan rate approached the parity.

Domestic remittances between Chinese cities remain at variance. Gold yuan transfer from Shanghai to Canton is still at a heavy premium, i.e. a remittance to Canton, from Shanghai, can only be effected—outside Government banks where only token sums are granted—by paying a premium to

the bank or merchant arranging for the transfer. A remittance from Canton to Shanghai of CN\$100 million could be obtained against payment of only HK\$ 35 to 38 (or equivalent in gold yuan). The discount on Shanghai transfers, from Canton, averaged last week 14½% to 21%.

US DOLLAR MARKET

Supply exceeded demand again as importers continued on the sidelines; local banks report a further decrease in the amounts of Letters of Credit opened and they anticipated reduced imports from the U.S. for some time to come. Gold shipments to Macao are also expected to drop considerably as a result of dull conditions in China where an improvement, i.e. better sales to Chinese investors, cannot be looked forward to.

	Highest HK\$	Lowest HK\$	Decrease against parity
Spot notes, GY 1	1.30¼	1.20	2.3% to 10%
TT Shanghai	1.25¼	1.01¼	6% to 24%
TT Canton	1.28½	1.07	3.6% to 19.7%

Supply of inward remittances, from overseas Chinese in the dollar area, may slowly start to decline as far as Hongkong is concerned but increased export produce shipments to the U.S. and the Philippines may make up for such drop.

The local crossrate will continue to be considerably higher than elsewhere; in no other financial centre is the U.K. resident account sterling convertible into US\$ at such high unofficial rate as in the Colony.

Highest & lowest rates last week (per US\$ 100, in HK\$):—notes 518—504, drafts 510—496, TT 512—498 (or US\$ 19.53—20.08 per HK\$ 100).

Local crossrates per £: US\$ 3.125—3.213.

The official US crossrate in London is 4.03 and the HK\$ parity in terms of US\$ is:—HK\$ 3.97 per US\$, or US\$ 25.1875 per HK\$ 100; the discount on the official rate amounted last week to 19.7% to 21.7%.

Compared to unofficial exchange markets' quotations abroad the local crossrate is from 10 to 15% higher. Zurich quoted last week a cross of US\$ 2.70 to 2.78; Paris from 2.65 to 2.70; New York from 2.85 to 2.92 (Bank of England notes in New York show a weak trend, having come down from a recent high of 2.95 to last week's 2.78).

Sales in the local native market (in US\$):—TT New York 814,000; drafts 514,000; notes 345,000.

While TT sales are still low compared to the turnover prior to July 26 (when arbitrage business ceased), the transactions in drafts and notes are on a high level, reflecting accumulated sales of overseas Chinese remitters' drafts and notes carried directly or through middlemen into the Colony for conversion into HK or Chinese yuan currency.

GOLD MARKETS

Unloadings in Macao were around 50,000 ozs but new imports are difficult to arrange on account of the low prices ruling here and in China which are influenced by the further reduction in demand. Exports to China from Macao and here were estimated last week at 10,000 taels. Apart from the fact that economic controls in China are this time exercised with more efficiency than at any time before, the technical position of the gold markets in the interior is unsound; genuine demand is decreasing while speculative stocks remain high. The general conditions of economic decline in China do not encourage any hopes for an early resumption of the gold import business.

Highest & lowest rates for last week:—

	High	Low
Gold per tael .. HK\$	299½	288½
Crossrate per tael .. US\$	59	57½
„ oz. .. US\$	48½	47.3

Canton quoted HK\$ 2 to 3 higher than the local market. Macao was HK\$ 4 to 6 lower. The "ready made import licence" peddling native banks charge now around HK\$9 per oz (i.e. making a profit, which is to be shared by several interests, of about HK\$ 6.50 per oz.).

Transactions in the local gold market:—spot, inside Exchange Society, 10,700 taels, spot, outside, 42,440; forward sales (fictitious so-called paper bars), stipulated for delivery 483,120 taels, and for margin clearing 622,460. Forward transactions are purely speculative; they are a peculiarly Chinese financial game.

SILVER MARKETS

Exports to Canton and South China were resumed as a consequence of the improved rate of gold yuan in terms of foreign exchange; thus the sale of silver to the Chinese treasury (through the Central Bank of China and authorised banks) is again on the increase. The official conversion price in China is 3 yuan per oz while the local market only pays some HK\$ 3.20 to 3.29 per oz; at the unofficial rates for the gold yuan an oz of silver when sold to the Central Bank of China still brings the equivalent of HK\$ 3.50 to 3.90 while at the official rate (parity) an oz of silver values the equivalent of HK\$ 3.999.

Local prices per tael ranged from \$3.90 to 4, per silver dollar 2.55 to 2.61, per 20 cents coin 1.90 to 1.93. The New York price was firm at \$75¼ US cents, and London advanced the price by ½ d. to 46 d.

Stocks in the local market have decreased which was partly due to heavy exports to Canton. For the time being silver bullion shippers to New York cannot well compete with the official conversion rate of the Chinese Govt as long as the discount on

gold yuan in the unofficial markets is small and shows a tendency to diminish.

Sales in the local market:—38,000 taels, \$13,000 worth of silver dollar coins, \$30,000 worth of 20 cents coins.

PIASTRE, GUILDER, BAHT MARKETS

Piastre notes were sold as follows:— spot, inside Exchange Society, 2,180,000 and outside the Exchange 3,170,000 piastres; in the forward market 3,510,000 piastres.

A total of 288,000 Nica guilders were sold (not including a small quantity of Java guilders). Baht notes had a small turnover.

TT between Netherlands Indies and Hongkong is effectively controlled and unofficial transfers are therefore small in numbers and quantity. A few native banks and Java trading firms are in this line.

TT between Indochina (all places, notably Saigon and Haiphong) and Hongkong as well as Indochina and South China (with Canton as a centre next to Kunming) is largely controlled in the unofficial markets by traders who are backed by Chinese native banks both here and in the interior and Indochina. One of the leading dealers in radio transfers and drafts is the Chung Nan Company and their banking connections, as far as piastre business is concerned, are the native banks of Kwong On, Shun Hang and To Hang. The majority of official TT goes here through the Banque de l'Indochine.

TT between Bangkok and Hongkong as well as Bangkok and Kwangtung is largely in the hands of the Chiuchow native bankers and merchants. Swatow is the centre for Siam-China trade. In the Colony the principal unofficial TT Bangkok dealers are such Chiuchow firms as the Asia Company, and the native banks of Tai Sang, Man Lee and Choi Fat Hong.

The official and unofficial quotations of piastre and baht are as follows (unofficial rates of last week, average; official rates being exchange banks' selling quotations):—

HK\$	Piastre, official	Piastre, unofficial
100	310	869
	Baht, official	Baht, unofficial
100	243	396

Conversely, 100 Piastrs equal HK\$ 11½ on the unofficial market of last

week while the official rate (banks' selling) stands at HK\$ 32.258 per 100 Piastrs.

Baht 100 equal HK\$ 25¼ on last week's unofficial market while the official selling rate stands at HK\$ 41.152 per 100 baht (or ticals).

The unofficial piastre quotation of last week was 64.35% lower than the official selling rate of TT Saigon.

The unofficial baht (tical) quotation of last week was 38.64% lower than the official selling rate of TT Bangkok.

CHARTERED BANK OF INDIA, AUSTRALIA & CHINA

The Directors of the Chartered Bank have declared an Interim Dividend for the current year of six per cent actual subject to Income Tax Dividend will be payable as from 1st October.

The Interim Dividend paid on 1st October 1947 was 5 per cent less Income Tax.

HONGKONG OFFICIAL EXCHANGE RATES

AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T.	
		1/3 1/16 O/D.	
		1/3 3/32 30d/s.	
		1/3 1/8 60-90d/s.	
		1/3 5/32 120d/s.	
—Do—		1/3 1/8 O/D if under L/Credit.	
(East & South Africa)		1/3 3/16 O/L with L/Credit	
—Do—		1/32nd up every 30d/s.	
(West Africa & West Indies)		1/3 5/16 O/D if under L/Credit.	
RUPEES (India)	82 %	1/3 3/8 O/D with L/Credit.	
		1/32nd up every 30d/s.	
		83 % T.T.	
		84 O/D.	
		84 ½ 7 & 30d/s.	
		84 ¼ 60d/s.	
		84 ¾ 80d/s.	
—Do— (Rangoon)	82 %	All buying rates	
—Do— (Aden)	82 %	3/16th higher than India.	
		84 ½ O/D if under L/Credit.	
		84 ¼ O/D without L/Credit.	
		84 ¾ 30 & 60 d/s.	
		53 ½ T.T. & O/D.	
STRAITS \$	52 ¾	53 ½ 30 & 60 days	
		25 ¼ T.T.	
U.S.\$ 24 15'16	delivery within 2 months with a cut of 1/16 for every further 3 months forward.	25 5/16 O/D—30d/s.	
CANADIAN \$		25 3/8 60—90d/s.	
U.S.\$ NOTES		25 % (Banks to pay Insur- ance and Postage)	
AUSTRALIA.	1/6 %	1/6 % T.T.	
		1/6 15/16 O/D.	
NEW ZEALAND.	1/6 7/16	1/6 13/16 T.T.	
		1/6 7/8 O/D.	

No official exchange rates are quoted for the Chinese currency (gold yuan).

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

Sept.	Gold per tael		GY spot (per one)		Shanghai	TT Canton	US\$ (per 100)		Piastre	Nica Guilder (per 100)	Baht	Pound Note	
	High	Low	High	Low	(GY 1)	(GY 1)	Note	Draft					TT
6	299	291½	1.23	1.20	1.15	1.11	517	504	507	11.6	38½	25¼	14.2
7	297	288½	1.25	1.21	1.21	1.19	508	500	502	11½	38½	25.1	14.2
8	298	294	1.27	1.22½	1.23	1.25	511	502	504	11.4	39	25¼	14.1
9	299½	295	1.30	1.27½	1.23	1.27	513	505	509	11.4	40	25¼	14.1
10	298½	293½	1.29¾	1.29	1.17	1.25	514	506	509	11.4	42	25¼	14
11	298	295¼	1.30¼	1.29	1.17	1.28	513	507	510	11.6	41	25¼	14

SELLING RATES OF HONGKONG & SHANGHAI BANKING COR- PORATION

Last week's selling rates were as follow: —

TT London	per HK\$	1	1/2-27/32
TT Australia	"	1	1/6-3/8
TT N. Zealand	"	1	1/2-27/32
TT Singapore	per HK\$	100	52 3/4
TT India	"	100	82 3/4
TT Canada	"	100	24 1/2
TT New York	"	100	24 1/2
TT Manila	"	100	50 3/8
TT Switzerland	"	100	107
TT France	"	100	5,340
TT Saigon	"	100	310
TT Bangkok	"	100	243

US cross rate in London. 4.02 3/4-4.03 1/4.

TT Shanghai continues nominal.

TT Japan, TT Batavia are not yet quoted.

TT New Zealand since August 15.

TT Singapore: On January 2 the selling rate stood at 52%, was changed on Jan. 24th to 52 3/4, was changed on July 23rd to 52%, and on August 11th to the current rate of 52 3/4.

TT Manila: On January 2nd the selling rate was quoted at 49-15/16, was changed on March 4th to 50-1/16, and from March 15th to the present rate of 50-1/8.

TT Saigon: Prior to March 5th no TT rate was quoted officially, since that day the rate has been fixed at 310.

TT France: On January 2nd the rate was Francs 2,970, on January 26th the rate was changed to the present one of 5,340.

Exchange buying rates are not quoted to the general public; they are available to individual inquirers.

* * *

POLITICAL AND COMMERCIAL IMPORTANCE OF HONGKONG

In a letter to the The Times, London, Mr. A.S. Comyns Carr writes:—

On my return to England from Japan, where I have been for over two years as U.K. prosecutor at the war crimes trial I should like to stress the immense political and commercial importance of Hongkong, to-day and in the future.

In the general disaster arising out of the war and its aftermath which has for various reasons overtaken the rest of the Far East, the prosperity of this tiny British colony stands out like a beacon. This is mainly due to the fact that the stability of British administration has afforded a refuge to commercial interests which have fled from the chaos prevailing elsewhere. It is also gratifying to see how British shipping, goods, and money hold their own in a centre of commerce which is almost entirely free from restriction. It is certain that if this stability can be maintained, Hongkong will form the nucleus of a revival of commercial activity in the Far East.

HONGKONG STOCK & SHARE MARKET

A fair demand set in for popular issues at the resumption of business for the week, Sept. 6 to Sept. 10. Prices firmed as a consequence, but a large portion of the gains was lost towards the close of trading for the period. Caution set in again as hopes of an early lifting of the Berlin Blockade dimmed.

Shanghai counters which showed such strength last week failed to follow through. With the exception of Shanghai Docks which culminated in business @ \$20 1/2, Ewos declined to \$18 1/2 and Shanghai Lands to \$5.80. This probably reflects disappointment of the non-materialization of the expected reopening of the Shanghai Stock Exchange following the currency reform. In some quarters it is believed that a better share market will prevail in Shanghai if Black market dealing in gold and foreign currencies is successfully stamped out in China.

As regards local counters, observers still adhere to the opinion that the worst has been seen, unless the European political situation deteriorates further.

Total sales reported amounted to 81,647 shares of an approximate value of \$2 1/4 millions, an increase of \$ 1/2 million compared with the preceding week.

Price Index.

The Felix Ellis price index based on twelve representative active local stocks showed a nett gain of .08 compared with the preceding week. Day-by-day averages were: Sept. 6, 141.57;

Sept. 7, 141.58; Sept. 8, 141.55, Sept. 9, 141.20; Sept. 10, 141.06.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12, while the low was 140.70 on the 2nd September.

Business Done.

H.K. GOVT. LOANS: 4% @ 101 3/4. BANKS: H.K. & S. BANK @ 2010, 2030, 2010, 2020.

INSURANCES: UNIONS @ 787 1/2, 785, 787 1/2.

DOCKS & GODOWNS: H.K. & K. WHARVES OLD @ 142 141; N. P. WHARVES @ 7 1/2, 7 1/4, 7 1/2; H.K. DOCKS @ 30 1/4, 30 1/2, 31, 30 3/4, 30 1/2, 30 1/4, 29 1/2; CHINA PROVIDENTS @ 22.40, 22 3/4, 23, 23, 22.90, S'HA1 DOCKS @ 20 1/2.

HOTELS & LANDS: H.K. HOTELS @ 15 1/2, 15.60, 15.70, 15 1/2, 15.45, 15.40; LANDS @ 73; S'HA1 LANDS @ 6.70, 5.90, 5.80; HUMPHREYS @ 22 1/2, 23, 22.80, 22 1/2; H.K. REALTIES @ 18.

UTILITIES: H.K. TRAMS @ 21 1/2, 21 3/4, 22, 21 3/4, 21 1/2; PEAK TRAMS Old @ 20 1/2; C. LIGHTS Old 22, 22 1/4, 22.30, 22 1/2, 22.80, 22 1/2, 22.10. 22. New @ 18 1/2, 18.40; H.K. ELECTRICS @ 39 1/4, 40, 39 3/4, 40, 40 1/4, 40 1/2, 40, 39 3/4, 39 1/2; MACAO ELECTRICS @ 25, 24 1/4; TELEPHONES @ 38, 38 1/2.

INDUSTRIALS: CEMENTS @ 42, 42 1/4, 42 1/2; H.K. ROPES @ 18.20, 18 1/2; DAIRY FARM Old @ 46 and New @ 44; WATSONS Old @ 60, 60 1/4, 60, New @ 56.

STORES: SINCERES @ 8.20, 9.

COTTONS: EWOS @ 20 1/2, 19.80, 19, 18 1/2, 18.

Registered Trade Unions of Hongkong

The following 19 trade unions have by the end of August been registered under the Trade Unions & Trade Disputes Ordinance, 1948:—

Hong Kong & Kowloon Motorcar Cleaning Service Workers General Association.

Employers' Federation of Hong Kong. Hong Kong & Kowloon Lithographic Workers Union.

Hong Kong & Kowloon Hotel and Boarding House Employees Association.

Hong Kong & Kowloon Printing Trade Workmen's Union.

Inland River Steamship & Motor Vessels Seamen's Association.

Hong Kong & Kowloon Carpenters General Union.

Hong Kong & Kowloon European-Style Tailors Union.

Hong Kong Ship Carpenters Union.

Hong Kong Commercial Press Workers Union.

Hong Kong & Kowloon Match Workers General Union.

Hong Kong Musicians Union.

Hong Kong & Kowloon Tinsmiths Union.

'Kwong Lok' Painters Association of Hong Kong.

Hong Kong & Kowloon Western-Style Lady Dress Makers Guild.

Preserved Ginger Workers Union.

Hong Kong Electric Company Chinese Workers' Union.

Hong Kong & Kowloon Female Knitters Association.

Hong Kong Textile Labourers' Association.

HONGKONG COMPANIES REGISTRY

443 Hong Kong companies, (including China Companies registered in Hong Kong under Proclamation No. 27 Emergency Registration of China Companies) and 48 Foreign corporations were registered, the total number of Hong Kong Companies being 1462, and foreign corporations 401 at the end of the first year of Hong Kong Civil Administration on March 31, 1947. 21 companies were in process of liquidation.

HONGKONG IMPORTS & EXPORTS OF SELECTED CARGOES

— FOR THE MONTH OF JULY, 1948 —

ANTIMONY

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South	1,653	250,000	—	—
United Kingdom	—	—	990	372,170
Total	1,653	250,000	1,653	282,188

WOLFRAM

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	990	372,170
China, South	129	43,040	—	—
Holland	—	—	336	116,000
Korea	252	75,000	—	—
Macao	119	35,700	—	—
U.S.S.R.	—	—	15,665	5,510,227
Total	500	153,740	16,991	5,998,397

TIN SLABS (other than China)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	50	26,599	—	—
Burma	689	275,520	—	—
Malaya (British)	672	234,400	—	—
U.S.A.	—	—	336	184,800
Total	1,411	536,519	336	184,800

TIN SLABS (CHINA)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South	15,845	6,155,876	—	—
Germany	—	—	1,093	625,320
Macao	177	99,190	—	—
Switzerland	—	—	166	100,800
U.S.A.	—	—	2,805	1,579,166
Total	16,022	6,255,066	4,066	2,305,286

TIN PLATES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	1,130	72,036	—	—
China, North	—	—	283	14,828
China, South	—	—	616	60,040
Korea	—	—	75	6,000
U.S.A.	4,589	229,303	—	—
Total	5,719	301,339	974	80,868

VEGETABLE OILS ANISEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	11	5,994
Australia	—	—	17	8,850
India	—	—	5	708
China, South	47	23,874	—	—
Denmark	—	—	3	1,676
Germany	—	—	62	31,788
Holland	—	—	6	3,352
Philippines	—	—	2	216
Switzerland	—	—	69	37,167
Total	47	23,874	175	89,751

CASSIA OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South	16	16,911	—	—
Total	16	16,911	—	—

COCONUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Canada	—	—	2,184	327,600
Malaya (British)	7,666	1,113,976	—	—
North Borneo	24	3,360	—	—
China, North	—	—	83	10,900
China, Middle	9	1,260	1,190	181,733
China, South	—	—	355	46,820
Korea	—	—	450	65,250
Macao	—	—	146	21,274
Switzerland	—	—	1,344	193,536
U.S.A.	—	—	168	25,200
Total	7,699	1,118,596	5,920	872,313

LINSEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	521	100,183	—	—
Malaya (British)	72	12,112	—	—
Macao	—	—	3	597
Siam	30	3,600	34	5,670
Others	—	—	17	4,144
Total	623	115,895	54	10,411

PEANUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	420	58,837	—	—
Malaya (British)	—	—	380	76,000
Macao	1,664	265,156	—	—
Siam	412	72,860	—	—
Total	2,496	396,853	380	76,000

SESAMUM OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Australia	—	—	1	200
Malaya (British)	—	—	20	4,280
New Zealand	—	—	1	70
Central America	—	—	1	72
Macao	123	20,035	—	—
Philippines	—	—	15	2,749
U.S.A.	—	—	6	1,308
Total	123	20,035	44	8,679

OTHER OILS FROM SEEDS, NUTS AND KERNELS

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom	—	—	672	134,400
India	3	417	—	—
China, North	4	500	—	—
China, Middle	—	—	6	1,200
China, South	777	81,896	—	—
Holland	25	7,458	—	—
Macao	596	64,804	15	1,855
U.S.A.	10	1,712	—	—
Total	1,415	156,787	693	137,455

SOYA BEAN OIL NIL

WOOD OIL (IN DRUMS)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ...	—	—	1,512	205,020
Australia	—	—	688	100,813
Canada	—	—	1,008	151,200
India	—	—	261	39,723
Malaya (British) ...	—	—	15	2,250
New Zealand	—	—	269	36,960
North Borneo	—	—	9	1,350
China, North	—	—	9,894	1,286,219
China, South	35,677	3,214,857	—	—
Egypt	—	—	283	46,419
France	—	—	840	135,000
Italy	—	—	84	12,348
Macao	2,746	282,006	—	—
Norway	—	—	2,752	394,919
Neth. East Indies ..	—	—	588	87,705
Siam	—	—	10	1,500
Sweden	—	—	650	96,527
Switzerland	—	—	168	23,856
U.S.A.	—	—	6,634	712,535
Total	38,423	3,496,857	25,665	3,334,344

WOOD OIL (IN BULK)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ...	—	—	6,321	931,763
China, South	35,677	3,214,851	—	—
Italy	—	—	84	12,348
Macao	3,389	405,600	—	—
U.S.A.	—	—	12,235	1,539,660
Total	25,449	2,823,290	18,645	2,486,431

TEA SEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ...	—	—	3,696	669,792
China, South	12,163	1,641,294	—	—
Macao	125	22,500	—	—
Siam	—	—	5	650
U.S.A.	—	—	2,604	505,783
Total	12,293	1,663,794	6,305	1,176,225

BRISTLES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ...	—	—	69	72,550
Burma	45	58,500	—	—
Ceylon	33	1,440	—	—
Belgium	—	—	63	52,500
China, South	591	482,703	—	—
Holland	—	—	50	72,500
U.S.A.	—	—	1,070	1,328,002
Total	669	542,643	1,252	1,525,552

RUBBER (RAW)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British) ...	9,090	861,354	—	—
Br. Empire, Other ..	219	19,217	—	—
China, Middle	—	—	14,144	1,360,620
" South	—	—	3,650	235,654
Korea	—	—	8,291	767,798
Macao	31	3,200	175	11,159
Neth. East Indies..	2,831	253,567	—	—
U.S.A.	—	—	4,032	406,656
Total	12,171	1,137,238	30,292	2,781,887

Regulations for the issue of Certificates of Origin and Certificates of Imperial Preference

HONGKONG MADE TEXTILES FOR EMPIRE MARKETS

For some time past, the Imports and Exports Department of Hongkong has been in communication with the Hong Kong Weavers' Association with the view to devising a scheme which would protect the legitimate Hong Kong manufacturer in Empire markets, and, at the same time, ensure that a Certificate of Origin means what it says. In order to carry out these objects it has been agreed that each factory should keep a detailed statement of its production, sales, and those exports in respect of which a Certificate of Origin has been issued. A factory would not then be able to obtain Certificates of Origin in excess of its actual production. In addition, the factories would be permitted to "group", that is, to include smaller factories to which they had sublet part of a Contract without losing the benefit of Imperial Preference.

The scheme proposed is that all local weaving factories shall register with the Imports and Exports Department, and shall also register the number of looms they possess. They shall moreover, keep a detailed day-to-day

report of the intake of yarn generally and its distribution to each particular loom. Each loom will be given a small card showing detailed analysis of its working. Loom production will always be cross-checked against its intake of yarn, and the hours worked. From these cards, it will be possible to analyse the overall output of the factory, its sales and exports made against Certificates of Origin. Check inspections will be made by Revenue Officers who would ensure that the daily cards attached to each loom were being properly filled in while the overall production and distribution figures will, where necessary, be certified by Chartered Accountants.

Requirements for the issue of Certificates of Origin and of Imperial Preference

In future Certificates of Origin (including Certificates of Imperial Preference) will only be issued in respect of goods manufactured by factories having been registered with Department of Imports and Exports. All factories applying for registration with this Department are required to sign an undertaking to permit the Superintendent of Imports and Ex-

ports, or any public officer authorised to act on his behalf, to be admitted into the registered premises to carry out inspections in such manner as the Superintendent may deem fit. Such officers will be given the facilities of direct access to all books, documents and records relating to any part of the manufacturing process. All registered factories are required to keep full and up-to-date records of productions and sales.

Where factories are placing sub-contracts with other factories, the sub-contracting factories must also be factories having been registered with the Superintendent of Imports and Exports. The factories letting out such sub-contracts will be responsible for informing the Superintendent of all details of the sub-contracts, and in addition, they will be required to keep the main books relating to the purchase of materials, payment of wages and other expenditure of production. Such main books must be in full and up-to-date agreement with the production records of the sub-contracting factories. It will be the responsibility of the factories issuing such sub-contracts to see that their books and the relative production records are properly audited by the recognised accountants. Statutory declarations will be required to support all applications in respect of goods made under sub-contracts.

Documents to be kept by weaving mills

All registered weaving factories will be required to keep a separate production record card in the form approved by the Superintendent of Imports and Exports, for each beam of yarn being inserted into a loom for weaving. These production record cards will include details as follows:—

1. Date of commencement of weaving.
2. Registered number of the loom used.
3. Name of worker employed.
4. Yardage intended to produce out of the insertion.
5. Length of longitudinal (warp) yarn inserted.
6. Number of latitudinal (weft) yarn to be used.
7. Length and weight per piece of the cloth made.
8. Pattern (or trade name) of the cloth made.
9. Number of hours required

to complete the insertion. 10. Amount of wages paid (or due for payment). 11. Number of hours' work done on each day.

Each factory will also be required to keep a production diary for all goods manufactured in the factory, in the form approved by the Superintendent of Imports and Exports. The production diary will include the following details:—

1. Number of looms (in registered serial numbers).
2. Date of insertion (of yarn) and the serial number of each of the insertion.
3. Pattern number of cloth.
4. Pattern design and colour.
5. Length of the cloth made.
6. Total number of pieces per insertion (length per piece to be specified).
7. Number of pieces made during the day.
8. Weight per piece.
9. Number of pieces made since the date

of insertion. 10. Number of pieces left as balance in the insertion at the end of the day. 12. Total stock made during the day. 13. Total stock delivered on the day. 14. Total balance stock at the end of the day.

A complete and up-to-date sales and disposal records will also be required for factory showing details of local sales, exports to Empire countries, etc.

Details required for information of the Superintendent of Imports and Exports regarding contracts which have been effective will include:—

1. Date on which the contract was made effective.
2. Total yardage, number of pieces and patterns.
3. Time allowance for the contract (date of expiration).
4. Name of the exporting firm.
5. Destination of the goods manufactured.
6. Contracted value.

HONGKONG EXPORT REGULATIONS

— as at September 13, 1948 —

COUNTRY OF DESTINATION	COUNTRY OF ORIGIN	EXPORT LICENCE ON FORM	PERCENTAGE OF PROCEEDS TO BE SURRENDERED TO AUTHORISED BANK
U.S.A. & Possessions, Philippine Republic.	China, Macao, Hong Kong, Korea.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when Form 2A (Green) in triplicate (Note 1).	NIL—except for exports on RESTRICTED list—(See Note 1).
French Indo-China	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a French Sterling account or (b) in HK\$ from an account in Hong Kong of a Bank in Indo-China.
Siam	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a Siamese Sterling Account or (b) in HK\$ from an account in Hong Kong of a Bank in Siam.
Korea, Macao	Any Country.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when form 2A (Green) in triplicate (Note 1).	NIL—except RESTRICTED exports (Note 1) which must be submitted on form 2A (Green), to Exchange Controller, for prior approval.
China, Formosa, & Sterling Area countries.	Any Country.	NIL—except China exports (Note 2) when Form 2B (Yellow) in duplicate.	
All other countries.	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS in accordance with Bank of England procedure. This is always acceptable in sterling from an account in the U.K. in the name of a resident in a territory to which the goods are being exported. For other acceptable methods of payment enquire Exchange Controller (Phone 24840). Rules for restricted exports apply in cases where finance is arranged in U.S.
Japan		Special arrangement with Dept. Supplies, Trade & Industry.	

NOTE 1—RESTRICTED EXPORTS:—

Tin, Silver, Copper, Lead, and Wood oil, ginger in casks or jars.

Exporters are permitted to use 75% of their f.o.b. value of tin, lead and silver; 80% of copper; 85% of wood oil; and 50% of ginger when the shipment is financed in United States currency.

NOTE 2—CHINA EXPORTS:—

Bristles, wood oil, cotton yarn, tea, rapeseed oil, tin, wolfram & antimony. China exports include these commodities whether originating in China or not. Applications must be supported by evidence of origin, i.e. a Chinese Certificate of Origin where articles are produced in China, otherwise such evidence of origin as Imports & Exports Dept. shall require.